Plain
and simple

MOSERS.

Missouri State Employees' Retirement System
A Component Unit of the State of Missouri

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2005

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* Missouri State Employees' Plan

Our Mission

Mission Statement

To exceed customer expectations by providing outstanding benefit services through professional plan administration and sound investment practices.

Core Values

Quality - Strive to exceed the expectations of internal and external customers through innovation, competence, and teamwork. Seek to “do it right” the first time.

Respect - Be sensitive to the needs of others, both within and outside the organization. Be courteous, considerate, responsive, and professional.

Integrity - In all endeavors, act in an ethical, honest, and professional manner.

Openness - Be willing to listen to, and share information with, others. Be receptive to new ideas. Be trusting of others.

Accountability - Take ownership of and responsibility for actions and their results. Learn from mistakes. Control system risks and act to protect the security of member information and system assets.

Professional
Plan Administration

Introductory Section

Awards


Certificate of
Achievement
for Excellence
in Financial
Reporting
Missouri State Employees'
Retirement System


Public Pension Coordinating Council
Public Pension Standards
2004 Award
Missouri State Employees' Retirement System

Letter of Transmittal

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PO Box 209
Jefferson City, MO 65102-0209

Shipping Address
907 Wildwood Drive
Jefferson City, MO 65109

MOSERS®
Missouri State Employees' Retirement System

October 17, 2005

The Board of Trustees
Missouri State Employees' Retirement System
907 Wildwood Drive
Jefferson City, MO 65109

Dear Board Members:

It is again with great pleasure that I submit the Comprehensive Annual Financial Report (CAFR) of the Missouri State Employees' Retirement System (MOSERS). This year's report theme is "Plain and Simple." It is a philosophy shared by all at MOSERS that produces results by taking the complex and transforming it into something that is easier to understand, thus giving it the appearance of being plain and simple. It is my desire that the information presented in this report holds true to that philosophy.

Report Contents and Structure

This CAFR is designed to comply with the reporting requirements of Sections 104.480, 104.1006, and 105.661 of the Revised Statutes of Missouri (RSMo) as amended. The financial information presented in the report is the responsibility of the management of MOSERS, and sufficient internal accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements, supporting schedules, and statistical tables. An independent auditing firm, KPMG LLP, has audited the financial statements contained in this report and their report is included in the financial section of this CAFR. The financial section also contains a management discussion and analysis report that provides a narrative introduction, overview, and analysis of the financial statements. MOSERS is considered a component unit of the state of Missouri for financial reporting purposes and, as such, the financial statements contained in this report are also included in the state of Missouri's Comprehensive Annual Financial Report.

This report is divided into the following five sections:

- The Introductory Section which contains general information regarding the operations of MOSERS;
- The Financial Section which contains a management discussion and analysis report, the independent auditor's opinion letter, the financial statements and notes thereto, and required supplementary information regarding the funds administered by MOSERS;
- The Investment Section which contains information pertaining to the management of the investments of the pension trust funds, including reports from the system's chief investment officer and investment consultant;
- The Actuarial Section which contains information regarding the financial condition and financial position of the retirement plans administered by the system, including the retained actuary's opinion; and,
- The Statistical Section which contains general statistical information regarding the system participants and finances.

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Profile of MOSERS
MOSERS in an instrumentality of the state of Missouri created in 1957 by state statutes for the purpose of providing retirement benefits to those state employees not covered by another retirement system. MOSERS provides for those retirement benefits through pension trust funds.

Subsequent to its creation, MOSERS was given the task of providing life and long-term disability insurance benefits to its membership. MOSERS operates an internal service fund for the state of Missouri and contracts with insurance companies to provide those benefits through insured defined benefit plans. MOSERS maintains membership information on those eligible for the insurance coverage, collects, and remits the premiums to the insurance companies. Currently, the life and long-term disability coverage are insured through Standard Insurance Company.

The board of trustees of MOSERS annually approves the administrative expense budgets of MOSERS' operation and investment divisions. An exception report to the board of trustees is required by the executive director if expenses are expected to exceed budget by 10% or if there are any unscheduled salary increases or staff expansion not included in the board approved budget.

Fiscal Year 2005 Highlights
Performance Measurement Tool
We implemented a Performance Management Tool (PMT) for operations staff, which is a continuous process of planning performance, documenting performance, providing feedback, recognizing effective performance, and managing for results. This program also provides for a pay plan that is competitive, reasonable, and justifiable, which will recognize and reward exceptional performance, document achievements and results, and encourage initiative and personal responsibility. A detailed training program was developed outlining the tool, how it works, what to expect, the reason behind the development of this program, etc. A FAQ electronic bulletin board was developed to assist staff with questions related to the process, and we facilitated several meetings with employees to make Core Values part of MOSERS' organizational culture and to implement staff ideas. In addition, the board also approved a compensation and pay system which simplified the current pay structure in a manner that is consistent with our mission statement and that supports our agency's operations and objectives.

Service Enhancements
A coaching program in our benefits section was developed that initiated random call recording and walk-in observation. This program was designed to coach staff toward increased consistency, accuracy, and efficiency in service to members.

This year we also created our first retiree focus group. The Retiree Connection program was formed in February 2005. The state was divided into several geographic areas, and a group of 12 retirees was selected to represent retirees throughout the state. The goal in developing this program is to improve our communications with retirees. It is not designed to be a lobbying group or a political action committee. The focus is to provide information to and receive feedback from the members of this group to help us with our communication efforts with all our retirees.

We redesigned the MOSERS website, which went live in January of this year. The new site is easier to navigate, which means more visitors will find what they're looking for the first time—reducing the number of telephone calls. In February and March of this year, we added online forms and processes to the website allowing our employers to submit Transfer Employment, Termination, Refund Request, and Leave of Absence/Back to Work forms electronically. Our members are also able to submit Direct Deposit and Tax Withholding forms electronically. In September 2004, we added interactive financial calculators to our website to allow members to make calculations under alternative scenarios and create reports on topics such as loans, savings and investments, retirement savings and planning, taxes, and personal finance.

Also, the *RetireeNews* and *PensionsPlus* newsletters were posted to the MOSERS website in HTML format to improve readability and ease of use for members. In March, we began email delivery of member newsletters beginning with the spring 2005 editions of *PensionsPlus* and *RetireeNews*. Members can request email delivery of newsletters, and we expect the number of requests to grow as the availability of the process is marketed.

During FY05, the board approved modifications to the life insurance plan. The waiver of premium feature in our life insurance plan was changed from a terminal obligation to an arrangement where waiver ceases at retirement. This change will reduce cost to the system and members by approximately $400,000 annually. MOSERS' staff coordinated the second annual optional life enrollment period with success. All enrollments were processed within 2.5 days of receipt.

The board approved plan design modifications to the long-term disability plan. The modifications include numerous enhancements which are designed to bring our arrangement in line with industry standards. The resulting changes will reduce the cost of our plan by approximately 3%.

We developed a web based format for access to the MOSERS Integrated Benefits System (MIBS), which is more intuitive and efficient for the staff to use. This user interface allows our benefits counselors to spend less time navigating the system and more time with members. An interactive recorder was implemented to allow benefits management to record phone conversations for training purposes with an eye toward how we can improve customer service.

As an added feature, to provide our members with facts on MOSERS' investments, mission, operations, and other retirement related information, we created a slide show for lobby monitors that members can view as they are waiting to speak with a benefits counselor.

This year there were several retirement bills before the legislature that were of interest to our members. We created a "Rumor Central" section on the website that is a question and answer forum providing information relating to legislation, retirement, life insurance, and long-term disability benefits. The Rumor Central feature proved to be very popular.

Legislation

Senate Bill No. 202 et al was passed and signed into law by Governor Matt Blunt on April 26, 2005. This legislation terminated the Administrative Law Judges and Legal Advisors' Plan (ALJLAP) for new hires and transferred the assets and liabilities of the ALJLAP to the Missouri State Employees' Plan (MSEP). New hires after April 26, 2005, that would have been eligible to participate in the ALJLAP become members of the MSEP 2000.

Summary of Financial Information

The following schedule is a comparative summary of the pension trust funds' additions and deductions for the years ended June 30, 2005, and June 30, 2004.

	Pension Trust Funds	
	Year Ended June 30, 2005	**Year Ended June 30, 2004**
Additions	$ 957,705,464	$1,072,279,299
Deductions	(393,068,640)	(392,194,639)
Net Change	$ 564,636,824	$ 680,084,660

The following schedule is a comparative summary of the revenues and expenses of the Internal Service Fund (insurance activity) for the years ended June 30, 2005, and June 30, 2004.

	Internal Service Fund	
	Year Ended June 30, 2005	**Year Ended June 30, 2004**
Operating revenues	$ 27,741,794	$ 26,208,192
Operating expenses	(27,771,836)	(26,245,743)
Nonoperating revenues	49,326	24,353
Net change	$ 19,284	$ (13,198)

Additional financial information can be found in the management discussion and analysis report, the financial statements, and schedules included in the financial section of this report.

Investments

MOSERS' investment portfolio generated a strong return of 12.6% net of fees and expenses for the fiscal year. This return outpaced our policy benchmark return of 12.3% and, as a result, an extra $20 million was generated for the fund. As further evidence of the strong return for the fiscal year, our return ranks in the top 3% when compared to our peer universe of other state-wide public pension funds from across the country.

These returns, when combined with the results of the previous two years, put MOSERS' investment results at the top of the pack when compared to our peers. Not coincidently, it's been three years since the MOSERS board made a difficult decision to move away from a more traditional approach to portfolio management toward a more dynamic process. The primary driver behind this change was the belief that returns from the U.S. stock and bond market would be considerably lower in the future than they had been in the past several years. Therefore, a portfolio that was predominantly dependent on returns from those two asset classes would also be expected to produce lower returns. After much debate, the conclusions reached were that (i) there was a way to build a more economically diversified policy portfolio that was less dependent on U.S. stocks and bonds, which should lead to lower overall volatility without sacrificing returns, thus providing for more stability in the contribution rates, (ii) a higher level of active management should be emphasized in the portfolio in areas deemed the most inefficient as a way to add incremental value to the fund, and (iii) staff should be given greater flexibility to maneuver the portfolio away from the broad policy targets when valuation discrepancies suggested that such a move would lead to better returns, less risk, or a combination of the two.

The following table compares several relevant statistics for the old policy benchmark, the new policy benchmark, and our actual results.

Three-Year Results Ended June 30, 2005

Statistics	Old Policy Benchmark Prior to June 30, 2002	New Policy Benchmark Effective after June 30, 2002	MOSERS Actual 3 year Results
Annualized return	11.2%	11.5%	12.2%
Annualized standard deviation	10.3%	8.4%	8.7%
Sharpe ratio	0.9	1.2	1.2
Percentage of positive months	67.0%	69.0%	72.0%
Percentage of negative months	33.0%	31.0%	28.0%

While all of this information provides insights into how each benchmark performed, there are two things that are particularly striking to me. The first is that through a combination of staff initiated shifts in the actual portfolio and our external active managers outperforming their benchmarks, our performance has produced an additional 65 basis points return over the new policy benchmark (which generated an additional $124 million over the 36-month period). The second is that the new policy benchmark has generated a better return and, just as importantly, about 20% lower volatility than the old policy benchmark. The combination of higher returns and lower risk has generated a 25% increase in the risk adjusted returns of the fund as measured by the Sharpe ratio (1.2 with the new policy and .9 with the old policy).

In my view, a significant portion of our success can be attributed to an excellent investment staff operating under governance policies that allow and encourage them to pursue excellence in investment policy implementation. I firmly believe this is a further confirmation of the notion that good governance policies produce good results. To achieve that end and also ensure the investment portfolio is safeguarded, the board has placed, within the governance policies, limitations on how the investment portfolio can be managed. These governance policies are reviewed by external parties, MOSERS' chief counsel, and the internal auditor, and further require the chief investment officer and external investment consultant to formally agree when hiring or terminating an external money manager, with the executive director certifying that decision was made in compliance with the governance policy. In addition, these policies require the investment staff to conduct due diligence meetings with external money managers at least twice per year. More detailed information on the responsibilities of the parties and MOSERS' investments can be found in the Investment Section of this report.

Plan Financial Condition

The funding objective of MOSERS' pension trust funds is to meet long-term benefit promises through contributions that remain approximately level as a percent of member payroll over decades of time. Historical information relating to progress in meeting this objective is presented on pages 44-48. During the year ended June 30, 2005, the funded ratio of the Missouri State Employees' Plan, which covers 96,442 participants, increased from 84.6% to 84.9%, primarily as the result of experience that was less favorable than assumed offset substantially by a mark to market adjustment to the actuarial value of plan assets. Funding of the Judicial Plan, which covers 860 participants, began on July 1, 1998. During the year ended June 30, 2005, the funded ratio of the Judicial Plan increased from 14.0% to 15.1%, primarily as the result of favorable plan experience during the year. Additional information regarding the financial condition of the pension trust funds can be found in the actuarial section of this report.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MOSERS for its CAFR for the fiscal year ended June 30, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR conforming to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. MOSERS has received a Certificate of Achievement for the last 16 consecutive years (fiscal years ended 1989-2004). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA for evaluation.

Public Pension Coordinating Council (PPCC), Public Pension Standards Award

MOSERS also received the PPCC, Public Pension Standards Award in 2004 in recognition of meeting the professional standards for plan design and administration as set forth in the Public Pension Standards. This award is presented by the PPCC, a confederation of the National Association of State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS), and the National Council on Teacher Retirement (NCTR).

Conclusion

This report is a product of the combined efforts of the MOSERS staff and advisors functioning under your leadership. It is intended to provide complete and reliable information that will facilitate the management decision process; serve as a means for determining compliance with legal requirements; and allow for the evaluation of responsible stewardship of the funds of the system. As in the past, MOSERS received an unqualified opinion from our independent auditors on the financial statements included in this report. The opinion of the independent auditor can be found on page 20.

Copies of this report are provided to the Governor, State Auditor, Joint Committee on Public Employee Retirement of the General Assembly, and all state agencies. These agencies form the link between MOSERS and its members, and their cooperation contributes significantly to the success of MOSERS. We hope all recipients of this report find it informative and useful.

I would like to take this opportunity to express my gratitude to you, the staff, the advisors, and other people who have worked so diligently to assure the continued successful operation of the system.

Respectfully submitted,

Gary Findlay

Gary Findlay
Executive Director

Letter from the Board Chair

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Jefferson City, MO 65102-0209

Shipping Address
907 Wildwood Drive
Jefferson City, MO 65109

MOSERS®
Missouri State Employees' Retirement System

October 17, 2005

Dear Members:

On behalf of the board of trustees, I am pleased to present the MOSERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. This report provides information on the financial status of your retirement system while also highlighting significant changes that occurred during the year.

In keeping with this year's annual report theme, "Plain and Simple," I'm reminded of the straightforward attributes that have enabled MOSERS to provide benefits you can count on. It truly is all about professional plan administration, secure system assets, controlling system risk, and exceeding customer expectations – simple concepts but ones that can only be brought to fruition through great discipline and sustained attention to detail. It is my belief that your board and staff rose to the occasion this past year.

First and foremost, I am pleased to report that your retirement system remains well funded and your promised benefits are secure. The MOSERS fund generated a return of 12.6% (net of expenses) for the year placing MOSERS' investment return in the top 3% of all public pension funds with assets in excess of $1 billion as reported by the Independent Consultant Cooperative.

The most significant legislative action impacting MOSERS this year was the passage of Senate Bill No. 202, et al, which terminated the Administrative Law Judges and Legal Advisors' Plan (ALJLAP) for new hires. Specifically, individuals who assume a position after April 26, 2005, who would have otherwise been covered by the ALJLAP, will instead participate in the Missouri State Employees' Plan or the Missouri State Employees' Plan 2000, depending on when they initially became state employees. The legislature's decision to terminate the plan on a prospective basis was made after review by two separate commissions that found there was no compelling reason to treat administrative law judge positions differently from general employee positions for purposes of retirement.

The board experienced significant turnover this past year. On behalf of the board, staff and membership, I wish to express our collective thanks to Jacquelyn White, Lori Strong-Goeke, Carol Gilstrap, former State Treasurer Nancy Farmer, and Senator Ed Quick for their many contributions to the system and for serving our membership so well. They left in place a strong governance policy that will ensure a smooth transition and serve as a strong foundation for our new trustees to build upon. We also welcomed Mike Keathley, Commissioner of Administration, John Pelzer, Governor Appointee, State Treasurer Sarah Steelman, Senator Jason Crowell, and Senator Timothy Green to the board this year. We look forward to working with each of them.

In closing, you can be assured that the MOSERS staff continues to provide the expertise and professionalism required for excellence in our retirement system, and I would like to thank staff for continuing to maintain a high level of commitment to serving our membership. In "Plain and Simple" terms, we look forward to meeting your future needs. If you have any questions regarding this report, please contact us at MOSERS, P.O. Box 209, Jefferson City, MO 65102, or by calling 1-800-827-1063.

Sincerely,

Marsha Buckner

Marsha Buckner, Chair
Board of Trustees

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Board of Trustees

Board Chair

Marsha Buckner
Elected Active Member

Board Vice-Chair

Representative Todd Smith
Member of the
House of Representatives

Wayne Bill
Elected Active Member

Senator Jason Crowell
Member of the Senate

Representative Bill Deeken
Member of the
House of Representatives

Senator Timothy Green
Member of the Senate

Commissioner Mike Keathley
Ex-Officio Member

Don Martin
Elected Retired Member

John Pelzer
Governor Appointed Member

John T. Russell
Governor Appointed Member

State Treasurer Sarah Steelman
Ex-Officio Member

Administrative Organization

Gary Findlay
Executive Director

Jake McMahon
Chief Counsel

Greg Beck
Internal Auditor

Lisa Verslues
Human Resource Coordinator

Judy Delaney
Legislative Coordinator

Karen Stohlgren
Deputy Executive Director
Chief Operations Officer

Gary Irwin
Chief Finance Officer

Scott Simon
Manager of Benefit Services

Sandra Lynn
Manager of Communications

Stacy Gillmore
Manager of
Information Technology

JoAnn Looten
Manager of Records

Diana Mosier
Manager of
Administrative Services

Rick Dahl
Deputy Executive Director
Chief Investment Officer

Pat Neylon
Manager of Public Equity

Jim Mullen
Manager of Public Debt

Tricia Scrivner
Manager of Alternatives

Shannon Davidson
Manager of
Investment Operations

Christine Rackers
Manager of Investment
Policy & Communications

About MOSERS

MOSERS was established September 1, 1957, and is governed by laws of the state of Missouri.

Purpose

MOSERS provides retirement, survivor, and disability benefits, as well as life insurance to its members.

MOSERS administers retirement benefits for most state employees, including members of the Missouri General Assembly, elected state officials, administrative law judges and legal advisors, and judges. MOSERS is responsible for administering the law in accordance with the expressed intent of the Missouri General Assembly and bears a fiduciary obligation to the state employees who are its members and beneficiaries.

Administration

State law provides that responsibility for the administration of MOSERS is vested in an 11 member board of trustees. The board is comprised of:

- Two members of the Senate appointed by the President Pro Tem of the Senate.
- Two members of the House of Representatives appointed by the Speaker of the House.
- Two members appointed by the Governor.
- The State Treasurer.
- The Commissioner of Administration.
- Three other members of the system: two active members elected by the active and terminated-vested members, and one retiree elected by the retired members.

The day-to-day management of MOSERS is delegated to the executive director who is appointed by the board and serves at its pleasure. The executive director acts as advisor to the board on all matters pertaining to the system, contracts for professional services, and employs the remaining staff needed to operate the system.

Organization

The executive director, deputy executive director - chief operations officer, and the deputy executive director - chief investment officer are responsible for planning, organizing, and administering the operations of the system under the broad policy guidance and direction of the board.

MOSERS' office is divided into eight administrative sections that perform specific functions for the system.

Executive Services

The executive services team provides administrative support by assisting the executive director and chief operations officer, and chief investment officer in the major legal, operational, and oversight functions of the retirement, benefit, and communication programs.

Accounting

This section is responsible for all financial records of the programs administered by MOSERS, including the preparation of financial and statistical reports. Accounting performs the purchasing functions for MOSERS and interfaces with the investment custodian, Office of Administration accounting, various payroll/personnel departments, life insurance companies, actuaries, banks, and the IRS on all accounting related issues.

Benefit Services

Benefit services is responsible for all contact with the membership regarding the benefit programs administered by MOSERS, which include retirement, life insurance, and long-term disability.

Communications
Communications is responsible for providing clearly written and attractively designed publications and educational seminars needed to inform all members about benefit programs administered by MOSERS. Communications and the information technology section are jointly responsible for MOSERS' website.

Information Technology
Utilizing an IBM AS400 minicomputer and high-end work stations, information technology provides all computer and technical design support for MOSERS' data processing activities. This group is responsible for establishing and updating computer programs to implement plan changes and also maintains members' folder information on FileNet - an optical disk image system that allows information to be stored and processed using computer displayed images of original documents. Information technology is also responsible for administration of the personal computer network and the telephone system. Information technology and the communications section are jointly responsible for MOSERS' website.

Investments
The primary function of the investment department is to provide internal investment management and consulting services to the board and the executive director. Other functions include hiring and terminating external investment managers, making strategic allocation decisions, analyzing and rebalancing the overall asset allocation and portfolio, serving as a liaison to the investment community, and informing and advising the board and executive director on financial, economic, and political developments which may affect the system. The investment staff also works with the asset consultant and the executive director in selecting and monitoring external money managers. Information regarding the investment professionals who provide services to MOSERS can be found in the Investment Section.

Records Management
Records management is responsible for establishing and maintaining all membership records including maintenance of the data on the electronic imaging system, balancing payroll deductions for insurance, and entering the payroll, service, and leave data into the system's computerized database.

Administrative Services
Administrative services provides clerical support, mail services, and general building maintenance for MOSERS' personnel.

Outside Professional Services

Actuary
Gabriel, Roeder, Smith & Co.
Actuaries and Consultants
Norman L. Jones, Brad Armstrong
Southfield, Michigan

Auditors
KPMG LLP
Certified Public Accountants
Andrew J. Blossom, Jaime L. Hamm
Kansas City, Missouri

Legal Counsel
Thompson Coburn
Attorneys at Law
General Counsel
Allen Allred, Tom Litz
St. Louis, Missouri

Perkins Coie, LLP
Attorneys at Law
Timberland Counsel
Bob Maynard
Boise, Idaho

Master Custodian
Mellon Trust
Primary Custodian
Irene Speridakos, Doug Cook
Boston, Massachusetts

Investment Management Consultants
Summit Strategies, Inc.
General Asset Consultant
Steve Holmes, Tom Pollihan
St. Louis, Missouri

TimberLink, LLC
Timberland Consultant
Kate Robie
Atlanta, Georgia

Risk Management Consultants
Charlesworth & Associates, LC
Art Charlesworth, Bob Charlesworth
Overland Park, Kansas

Third-Party Administrators
The Standard Insurance Company
Disability and Life Insurance
Tom Trussell
Overland Park, Kansas

TIAA-CREF
College & University Retirement Plan
Robert Kissel, Mike Mitchell
Chicago, Illinois

Securities Lending Advisors
Credit Suisse First Boston Corporation
Dwight Skerritt
New York, New York

Investment Advisors
AmeriCap Advisers, LLC
Michael Gayed, Nadia Albert, Steve Shobin
New York, New York

AQR Capital Management
Clifford Asness, David Kabiller
Greenwich, Connecticut

Aetos Capital. LLC
Michael Klein, Anne Casscells
New York, New York
Mehlo Park, CA

Barclays Global Investors
David Cvengros
San Francisco, California

BlackRock Financial Management, Inc.
Rob Capaldi, Andy Phillips, Jeff Gary
New York, New York

Blackstone Alternative Asset Management, LP
Tom Hill, Hal Lindquist, Catherine Vaughan,
Gary Sumers, Ken Whitney
New York, New York

Blakeney Management
James Graham-Maw, Miles Morland
London, England

Blum Capital Partners, LP
N. Colin Lind, Jeff Cozad
San Francisco, California

Bridgepoint Capital Limited
Graham Dewhirst, William Jackson
London, England

Bridgewater Associates, Inc.
Joel Whidden, Tom Bachner
Westport, Connecticut

Bush O'Donnell
Jim O'Donnell, Mark Reed
St. Louis, Missouri

The Campbell Group
John Gilleland, Julie Lawrence
Portland, Oregon

Capital Guardian Trust Company
Andy Barth, Mike Nyeholt
Los Angeles, California

Outside Professional Services

Investment Advisors Continued

Catterton Partners
J. Michael Chu, Mark Sirinyan,
John Scerbo
Greenwich, Connecticut

DDJ Capital Management, LLC
Mike Forrester, David Breazzano, Judy Mencher
Wellesley, Massachusetts

Dimensional Fund Advisors, Inc.
Rex Sinquefield, Carol Wardlaw, Bob Deere
Santa Monica, California

GFI Energy Ventures, LLC
Larry Gilson
Los Angeles, California

Global Forest Partners
Elizabeth Fastiggi, Peter Mertz
West Lebanon, New Hampshire

Grantham, Mayo, Van Otterloo & Co, LLC
Carolyn Nelson, Arjun Divecha
Boston, Massachusetts

Hoisington Investment Management Co.
Van Hoisington, Lacy Hunt
Austin, Texas

Legg Mason Capital Management, Inc.
Kyle Prechtl Legg, Tim McGurkin
Baltimore, Maryland

Mastholm Asset Management, LLC
Thomas Garr, Theodore Tyson
Bellevue, Washington

Merit Energy
Terry Gottberg, Bill Gayden
Dallas, Texas

Merrill Lynch Asset Management Group
Rick Vella, Lisa Torrington
New York, New York

MHR Fund Management, LLC
Hal Goldstein, Mark Rachesky
New York, New York

NISA Investment Advisors, LLC
Robert Krebs, Bill Marshall
St. Louis, Missouri

Oaktree Capital Management, LLC
Howard Marks, Greg Brandner, Bruce Karsh,
Russel Bernard, Steve Kaplan
Los Angeles, California

Pacific Alternative Asset Management Company
Jane Buchan, Kevin Williams
Irvine, California

Parish Capital Advisors, LLC
James Mason, Gabriele Bowers Jackson
Chapel Hill, North Carolina

Relational Investors, LLC
Ralph Whitworth, Sandi Christian
San Diego, California

Resource Management Services, LLC
Phillip Woods, Craig Blair,
Tim Moothart
Birmingham, Alabama

Silchester International Investors
Christopher Cowie, Stephen Butt
London, England

Silver Lake Partners
Alan Austin, David Roux
Menlo Park, California

Trust Company of the West
Art Carlson, Blair Thomas, Judy Hirsch
Los Angeles, California

Wayzata Investment Partners, LLC
Pat Halloran, Steve Adams
Wayzata, Minnesota

Benefits
You Can Count On

Financial Section

Management's Responsibility for Financial Reporting

Mailing Address
PO Box 209
Jefferson City, MO 65102-0209

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Missouri State Employees' Retirement System

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Jefferson City, MO 65109

October 17, 2005

Management has prepared the basic financial statements of the Missouri State Employees' Retirement System (MOSERS), and is responsible for the integrity and fairness of the information presented. Some amounts included in the financial statements may be based on estimates and judgments. These estimates and judgments were made utilizing the best business practices available. The accounting policies followed in the preparation of these basic financial statements conform with generally accepted accounting principles. Financial information presented throughout the annual report is consistent with the basic financial statements.

Ultimate responsibility for the basic financial statements and annual report rests with the board of trustees. The executive director and the rest of MOSERS' staff assist the board in its responsibilities. Systems of internal control and supporting procedures are maintained to provide assurance that transactions are authorized, assets safeguarded, and proper records maintained. These controls include standards in hiring and training of employees, the establishment of an organizational structure, and the communications of policies and guidelines throughout the organization. These internal controls are reviewed by internal audit programs. All internal audit reports are submitted to the board of trustees.

The system's external auditors, KPMG LLP, have conducted an independent audit of the basic financial statements in accordance with generally accepted auditing standards. This audit is described in their Independent Auditors' Report on page 20. Management has provided the external auditors with full and unrestricted access to MOSERS' staff to discuss their audit and related findings as to the integrity of the plan's financial reporting and the adequacy of internal controls for the preparation of financial statements.

Gary Findlay
Executive Director

Gary Irwin
Chief Financial Officer

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Independent Auditors' Report

KPMG LLP
Suite 1000
1000 Walnut Street
Kansas City, MO 64106-2162

The Board of Trustees
Missouri State Employees' Retirement System:

We have audited the accompanying basic financial statements of the Missouri State Employees' Retirement System (MOSERS), a component unit of the state of Missouri, as of and for the year ended June 30, 2005, as listed in the accompanying table of contents. We have also audited the financial statements of MOSERS' Internal Service Fund as of and for the year ended June 30, 2005, as displayed in MOSERS' basic financial statements. These financial statements are the responsibility of MOSERS' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MOSERS' internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MOSERS, as well as MOSERS' Internal Service Fund, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The management discussion and analysis on pages 21-25 and the supplementary schedules of funding progress and employer contributions on pages 44-48 are not a required part of the basic financial statements of MOSERS, but are supplementary information required by accounting principles generally accepted in the United States of America. The supplementary information included on pages 49-56 is presented for purposes of additional analysis and is not a required part of the basic financial statements of MOSERS.

The information included on pages 49-56 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. For the management discussion and analysis and supplementary schedules of funding progress and employer contributions, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

Kansas City, Missouri
October 7, 2005

The basic financial statements contained in this section of the Comprehensive Annual Financial Report consist of:

The ***Statements of Plan Net Assets***, which reports the pension trust funds assets, liabilities, and resultant net assets where Assets – Liabilities = Net Assets available at the end of the fiscal year. It can be thought of as a snap shot of the financial position of the pension trust funds of MOSERS at that specific point in time.

The ***Statements of Changes in Plan Net Assets***, which summarizes the pension fund financial transactions that occurred during the fiscal year where Additions – Deductions = Net Change in Net Assets. It supports the change that has occurred to the prior year's net asset value on the *Statement of Plan Net Assets*.

The ***Balance Sheet*** of the internal service fund is similar to the *Statement of Plan Net Assets* in that it also is a snap shot of the financial position of the Internal Service Fund where Assets = Liabilities + Net Assets.

The ***Statement of Revenues, Expenses, and Changes in Net Assets*** of the internal service fund is similar to the *Statement of Changes in Plan Net Assets* in that it also reports the financial activity that occurred over the period of the fiscal year where Revenues – Expenses = Net Revenue and supports the change to the prior year's net assets.

The ***Statement of Cash Flows*** of the internal service fund reports the financial transactions for the fiscal year of the internal service fund on a cash basis. It is similar to the *Statement of Revenues, Expenses and Changes in Net Assets*; however, the focus of this statement is on the change to cash balances with accrued income and accrued expense items eliminated.

The ***Notes to the Financial Statements*** are an integral part of the above financial statements and include additional information not readily evident in the statements themselves.

This *Required Supplementary Management Discussion and Analysis* information and the required supplementary information and other schedules following the *Notes to the Financial Statements* provide historical and detailed information considered useful in evaluating the condition of the plans administered by MOSERS.

Pages 22-25 contain summary comparative statements of MOSERS' pension trust funds and internal service fund and provide additional analysis of the changes noted on those schedules.

Pension Trust Funds

MOSERS overall financial condition improved during the fiscal year ended June 30, 2005. Pension funds net assets increased by $564,636,824 during the fiscal year ended June 30, 2005, primarily as a result of the investment earnings of the funds. The investments of the pension trust funds generated a 12.6% return for the year. The funded status of the pension plans increased by .3% for the MSEP and 1.1% for the Judicial Plan.

The internal service fund's net assets increased by $19,284. The goal of the internal service fund is to maintain the fund at a level that enables it to meet its financial obligations of providing life and long-term disability benefits to the state for its employees at a reasonable cost. In the prior year, the fund's net assets decreased by $13,198, primarily due to reduced interest income earned during that period. The increase in interest earnings during fiscal year 2005 brought the fund back to its pre-fiscal year 2004 level.

The following schedules present comparative summary financial statements of the pension trust funds and internal service fund for FY04 and FY05. Following each schedule is a brief summary of the significant changes noted in those schedules.

Pension Trust Funds
Summary Comparative Statements of Plan Net Assets

	As of June 30, 2005	As of June 30, 2004	Amount of Change	Percentage Change
Cash and short-term investments	$ 560,860,102	$ 277,416,406	$ 283,443,696	102.17%
Receivables	574,826,045	176,080,273	398,745,772	226.46
Investments	5,954,341,320	5,659,545,870	294,795,450	5.21
Invested securities lending collateral	1,099,841,751	1,188,833,864	(88,992,113)	(7.49)
Capital assets	3,456,840	3,615,140	(158,300)	(4.38)
Other assets	43,815	24,732	19,083	77.16
Total assets	8,193,369,873	7,305,516,285	887,853,588	12.15
Administrative expense payables	2,063,202	2,225,818	(162,616)	(7.31)
Investment purchase payables	588,670,755	179,856,429	408,814,326	227.30
Securities lending collateral	1,099,608,477	1,188,424,688	(88,816,211)	(7.47)
Other liabilities	23,459,828	20,078,563	3,381,265	16.84
Total liabilities	1,713,802,262	1,390,585,498	323,216,764	23.24
Net assets	$ 6,479,567,611	$ 5,914,930,787	$ 564,636,824	9.55

Summary Comparable Statements of Plan Net Assets Analysis

The increase in cash and short-term investments is primarily attributable to normal fluctuations in the short-term investments. For the year ended June 30, 2005, the month-end balance of short-term investments ranged from a low of $277,551,768 in August 2004 to a high of $660,886,829 in September 2004 with an average balance of $505,023,959 for the year.

The increase in receivables is attributable to normal fluctuations in investment sales receivables during the year. For the year ended June 30, 2005, the month-end balance of investment sales receivables ranged from a low of $163,438,366 in December 2004 to a high of $547,083,629 in June 2005 with an average investment sales receivable balance of $288,315,192.

The increase in the fair value of investments is primarily attributable to the favorable market conditions experienced during FY05 as evidenced by MOSERS' total investments return for the year of 12.6%. Detailed information regarding MOSERS' investment portfolio is included in the investment section of this report.

The decrease in security lending collateral is due to normal fluctuations in the lending program. The month end collateral balances ranged from a low of $840,501,273 in September 2004 to a high of $1,185,162,662 in July 2004 with an average balance of $1,044,807,248 for the year. The investment of the collateral fluctuated in a similar manner except that, since a portion of the collateral is invested in corporate bonds, the invested collateral benefited from the market gains on those bonds.

The increase in investment purchases payable is due to normal fluctuations in the amount of security purchases pending settlement at month end. For the year ended June 30, 2005 the month end balances of the investment purchase payables ranged from a low of $166,497,533 in December 2004 to a high of $588,670,755 in June 2005 with an average balance of $328,580,816 for the year.

The increase in other liabilities is primarily attributable to the additional accrual of the investment manager incentive fees during the year. The amount represents the portion of the incentive fee calculated as earned through June 30, 2005 to be paid in the future subject to the investment manager's attainment of certain long-term performance measures.

Summary Comparative Statements of Changes in Plan Net Assets

	Year Ended June 30, 2005	Year Ended June 30, 2004	Amount of Change	Percentage Change
Contributions	$ 221,653,366	$ 189,866,977	$ 31,786,389	16.74%
Investment income (loss) investing activities	731,556,657	877,901,329	(146,344,672)	(16.67)
Investment income securities lending activities	3,251,139	4,036,654	(785,515)	(19.46)
Miscellaneous income	1,244,302	474,339	769,963	162.32
Total additions	957,705,464	1,072,279,299	(114,573,835)	(10.69)
Benefits	386,576,891	385,909,723	667,168	0.17
Service transfers and refunds	199,201	537,762	(338,561)	(62.96)
Administrative expenses	6,292,548	5,747,154	545,394	9.49
Total deductions	393,068,640	392,194,639	874,001	0.22
Net increase (decrease)	564,636,824	680,084,660	(115,447,836)	(16.98)
Net assets beginning of year	5,914,930,787	5,234,846,127	680,084,660	12.99
Net assets end of year	$ 6,479,567,611	$ 5,914,930,787	$ 564,636,824	9.55

Summary Comparative Statements of Changes in Plan Net Assets Analysis

The increase in contributions received is primarily attributable to an increase in the contribution rate for the general employees group from 9.35% to 10.64%, and an approximate 3% increase in payroll.

Investment income decreased primarily as a result of a general pullback in the market conditions over that of the previous fiscal year. Security lending income decreased primarily due to a decrease in lendable treasury securities. Additional information regarding the security lending activity can be found in the investment section of this report.

Benefit payments increased due to changes in benefit rolls for the year. Detailed schedules of these changes can be found on pages 114-119 of the actuarial section of this report.

Service transfers decreased primarily due to normal fluctuations in the amount of transfers dependent on the number of members electing to transfer their service.

Administration expenses increased primarily due to increased salary and fringe benefits cost of $456,466 and increased consulting service expenses of $94,602 related to an investment benchmark study.

Internal Service Fund
Summary Comparative Balance Sheets

	As of June 30, 2005	As of June 30, 2004	Amount of Change	Percentage Change
Premiums receivable	$ 1,036,597	$ 1,065,315	$ (28,718)	(2.70)%
Investments	1,942,452	1,762,813	179,639	10.19
Total assets	2,979,049	2,828,128	150,921	5.34
Premiums payable	2,496,903	2,387,345	109,558	4.59
Other liabilities	145,501	123,422	22,079	17.89
Total liabilities	2,642,404	2,510,767	131,637	5.24
Unrestricted Net Assets	336,645	317,361	19,284	6.08
Total liabilities and net assets	$ 2,979,049	$ 2,828,128	$ 150,921	5.34

Summary Comparative Balance Sheets Analysis

Premiums receivable decreased due to less premiums remaining uncollected at the end of FY05. Premiums payables increased due to normal fluctuations in the amount of insurance coverage provided to state employees. Likewise, the investment of those premiums until paid to the insurance company also increased.

Other liabilities increased primarily as a result of the reimbursements due to the pension trust funds for the internal service fund's portion of shared expenses.

Summary Comparative Statements of Revenues, Expenses, and Changes in Net Assets

	Year Ended June 30, 2005	Year Ended June 30, 2004	Amount of Change	Percentage Change
Premium receipts	$ 27,305,305	$ 25,771,703	$ 1,533,602	5.95%
Miscellaneous income	436,489	436,489	0	0.00
Total operating revenue	27,741,794	26,208,192	1,533,602	5.85
Premium disbursements	27,271,948	25,736,083	1,535,865	5.97
Premium refunds	33,357	35,620	(2,263)	(6.35)
Administrative expenses	466,531	474,040	(7,509)	(1.58)
Total operating expenses	27,771,836	26,245,743	1,526,093	5.81
Net operating income (loss)	(30,042)	(37,551)	7,509	(20.00)
Investment income	49,326	24,353	24,973	102.55
Net revenues over expenses	19,284	(13,198)	32,482	(246.11)
Net assets beginning of year	317,361	330,559	(13,198)	(3.99)
Net assets end of year	$ 336,645	$ 317,361	$ 19,284	6.08

Summary Comparative Statements of Revenues, Expenses, and Changes in Net Assets Analysis

Premium receipts and disbursements increased due to normal fluctuations in the amount of insurance coverage provided to state employees.

Refunds decreased as a result of normal fluctuations in the amount of premium refunds issued to correct processing errors.

Administrative expenses decreased primarily due to a general decrease in the majority of categories of administrative expenses of $26,162 and an increase in personnel services of $18,653.

Investment income increased primarily due to the increase in the 90-day Treasury bill rates during the fiscal year.

Summary Comparative Statements of Cash Flows

	Year Ended June 30, 2005	Year Ended June 30, 2004	Amount of Change	Percentage Change
Cash flows from operating activities	$ 132,574	$ (10,695)	$ 143,269	1339.59%
Cash flows from non-capital financing activities	(2,261)	(462)	(1,799)	(389.39)
Cash flows from investing activities	(130,313)	11,157	(141,470)	(1267.99)
Net change in cash	0	0	0	
Cash balances beginning of year	0	0	0	
Cash balances end of year	$ 0	$ 0	$ 0	

Summary Comparative Statements of Cash Flows Analysis

The increase in cash flows from operating activities is primarily attributable to the increase in premiums received and disbursed to the insurance company and a reduction in the cash payments made to other suppliers of goods and services.

The decrease in cash flows from noncapital financing activities is primarily attributable to a reduction in the amount premium refund checks that remained outstanding at the end of the FY05 over that of FY04.

The decrease in cash flows from investing activities is primarily attributable to a decrease in the cash flows from net purchase and maturities of overnight repurchase agreements of $166,443 offset by an increase in the investment income received of $24,973.

Statements of Plan Net Assets

Pension Trust Funds - As of June 30, 2005

	MSEP	Judicial Plan	Total
Assets			
Cash and short-term investments	$ 556,731,467	$ 4,128,635	$ 560,860,102
Receivables			
State contributions	9,447,186	912,668	10,359,854
Investment income	17,109,959	126,885	17,236,844
Investment sales	543,056,406	4,027,223	547,083,629
Other	144,645	1,073	145,718
Total receivables	569,758,196	5,067,849	574,826,045
Investments at fair value			
U.S. treasury securities	700,900,365	5,197,769	706,098,134
Corporate bonds	487,831,970	3,617,687	491,449,657
Convertible bonds	16	0	16
Government bonds & gov't mortgage-backed securities	273,291,124	2,026,685	275,317,809
Real estate equity	728,632	5,403	734,035
Common stock	764,658,075	5,670,587	770,328,662
International EAFE index fund	126,381,693	937,227	127,318,920
Preferred stock	10,159,197	75,339	10,234,536
Limited partnerships	2,263,769,035	16,787,764	2,280,556,799
Real estate investment trust	126,372,878	937,162	127,310,040
Collateralized mortgage obligations	56,290,317	417,440	56,707,757
Foreign currency	13,289,872	98,556	13,388,428
International equities	1,033,618,283	7,665,154	1,041,283,437
U.S. dollar-denominated international corporate bonds	53,218,430	394,660	53,613,090
Total investments	5,910,509,887	43,831,433	5,954,341,320
Securities lending collateral	1,091,745,534	8,096,217	1,099,841,751
Capital assets			
Land	265,318	1,968	267,286
Building and building improvements	3,326,822	24,671	3,351,493
Furniture, fixtures, and equipment	1,942,532	14,406	1,956,938
Total capital assets	5,534,672	41,045	5,575,717
Accumulated depreciation	(2,103,279)	(15,598)	(2,118,877)
Net capital assets	3,431,393	25,447	3,456,840
Prepaid expenses and other	43,492	323	43,815
Total assets	8,132,219,969	61,149,904	8,193,369,873
Liabilities			
Administrative expense payables	2,048,014	15,188	2,063,202
Investment purchases payables	584,337,399	4,333,356	588,670,755
Securities lending collateral	1,091,513,977	8,094,500	1,099,608,477
Investment incentive fees payable	22,977,353	170,397	23,147,750
Employee vacation and overtime liability	309,781	2,297	312,078
Total liabilities	1,701,186,524	12,615,738	1,713,802,262
Net assets held in trust for pension benefits	$ 6,431,033,445	$ 48,534,166	$ 6,479,567,611

(A schedule of funding progress for each plan is presented on page 44.)

See accompanying *Notes to the Financial Statements*.

Statements of Changes in Plan Net Assets

Pension Trust Funds - Year Ended June 30, 2005

	MSEP	ALJLAP	Judicial Plan	Total
Additions				
Contributions				
State contributions	$ 194,524,059	$ 1,124,924	$ 21,852,985	$ 217,501,968
Member purchases of service credit	4,122,001	0	0	4,122,001
Service transfer contributions	29,397	0	0	29,397
Total contributions	198,675,457	1,124,924	21,852,985	221,653,366
Investment income				
From investing activities				
Net appreciation in fair value of investments	604,566,490	1,710,092	4,496,054	610,772,636
Interest	93,644,599	264,885	696,418	94,605,902
Dividends	25,866,720	73,167	192,366	26,132,253
Other	54,775,405	154,939	407,355	55,337,699
Total investing activity income	778,853,214	2,203,083	5,792,193	786,848,490
Investing activity expenses:				
Management fees	(51,542,561)	(145,795)	(383,313)	(52,071,669)
Custody fees	(779,491)	(2,205)	(5,797)	(787,493)
Consultant fees	(402,696)	(1,139)	(2,995)	(406,830)
Performance measurement fees	(318,314)	(900)	(2,367)	(321,581)
Portfolio transition/rebalancing cost	(42,367)	(120)	(315)	(42,802)
Internal investment activity expenses	(1,610,878)	(4,557)	(11,980)	(1,627,415)
Miscellaneous expense	(33,697)	(95)	(251)	(34,043)
Total investing activity expenses	(54,730,004)	(154,811)	(407,018)	(55,291,833)
Net income from investing activities	724,123,210	2,048,272	5,385,175	731,556,657
From securities lending activities:				
Securities lending income	26,120,130	73,884	194,251	26,388,265
Securities lending expenses:				
Borrower rebates	(22,206,218)	(62,813)	(165,144)	(22,434,175)
Management fees	(695,808)	(1,968)	(5,175)	(702,951)
Total securities lending activities expenses	(22,902,026)	(64,781)	(170,319)	(23,137,126)
Net income from securities lending activities	3,218,104	9,103	23,932	3,251,139
Total net investment income	727,341,314	2,057,375	5,409,107	734,807,796
Miscellaneous income	1,231,658	3,484	9,160	1,244,302
Total additions	927,248,429	3,185,783	27,271,252	957,705,464
Deductions				
Benefits	339,300,671	749,197	18,396,397	358,446,265
Benefit adjustments	28,130,626	0	0	28,130,626
Service transfer payments	199,201	0	0	199,201
Administrative expenses	6,228,609	17,618	46,321	6,292,548
Total deductions	373,859,107	766,815	18,442,718	393,068,640
Net increase before transfer	553,389,322	2,418,968	8,828,534	564,636,824
Transfer per Senate Bill No. 202	18,157,148	(18,157,148)	0	0
Net assets held in trust for pension benefits:				
Beginning of year	5,859,486,975	15,738,180	39,705,632	5,914,930,787
End of year	$ 6,431,033,445	$ 0	$ 48,534,166	$ 6,479,567,611

See accompanying *Notes to the Financial Statements.*

Balance Sheet

Internal Service Fund - As of June 30, 2005

Assets	
Premiums receivable	$ 1,036,597
Investments at fair value	1,942,452
Total assets	$ 2,979,049
Liabilities and net assets	
Liabilities	
Premiums payable	$ 2,496,903
Checks outstanding net of deposits	297
Other	145,204
Total liabilities	2,642,404
Unrestricted net assets	336,645
Total liabilities and net assets	$ 2,979,049

See accompanying *Notes to the financial Statements*.

Statement of Revenues, Expenses, and Changes in Plan Net Assets

Internal Service Fund - Year Ended June 30, 2005

Operating revenues	
Premium receipts	$ 27,305,305
Miscellaneous income	436,489
Total operating revenues	27,741,794
Operating expenses	
Premium disbursements	27,271,948
Premium refunds	33,357
Administrative expenses	466,531
Total operating expenses	27,771,836
Operating revenues under operating expenses	(30,042)
Non-operating revenues	
Investment income	49,326
Net revenues over expenses	19,284
Net assets July 1, 2004	317,361
Net assets June 30, 2005	$ 336,645

See accompanying *Notes to the Financial Statements*.

Statement of Cash Flows
Internal Service Fund - Year Ended June 30, 2005

Cash flows from operating activities	
Cash received from employer and members	$ 27,770,548
Premium payments to outside carriers	(27,163,151)
Refunds of premiums to members	(33,357)
Cash payments to employees for services	(254,840)
Cash payments to other suppliers of goods and services	(186,626)
Net cash provided by operating activities	132,574
Cash flows from noncapital financing activities	
Implicit funding of checks outstanding net of deposits	297
Implicit repayment of prior years checks outstanding net of deposits	(2,558)
Net cash used in noncapital financing activities	(2,261)
Cash flows from investing activities	
Purchase of investment securities	(499,246,789)
Proceeds from sale and maturities of investment securities	499,067,150
Cash received from investment income	49,326
Net cash used in investing activities	(130,313)
Net increase in cash	0
Cash balances June 30, 2004	0
Cash balances June 30, 2005	$ 0
Reconciliation of operating revenues under operating expenses to net cash provided by operating activities	
Operating revenues under operating expenses	$ (30,042)
Adjustments to reconcile operating revenues under operating expenses to net cash provided by operating activities	
Change in assets and liabilities:	
Decease in operational accounts receivable	31,106
Increase in operational accounts payable	131,510
Total adjustments	162,616
Net cash provided by operating activities	$ 132,574

See accompanying *Notes to the Financial Statements*.

Notes to the Financial Statements

Year Ended June 30, 2005

(1) PLAN DESCRIPTIONS

Missouri State Employees' Plan (MSEP)

The MSEP is a single-employer, public employee retirement plan with two benefit structures known as the MSEP (closed plan) and MSEP 2000 (new plan) which are administered by the Missouri State Employees' Retirement System (MOSERS) in accordance with Sections 104.010 and 104.312 to 104.1215 of the Revised Statutes of Missouri (RSMo). As established under Section 104.320, RSMo, MOSERS is a body corporate and an instrumentality of the state. In the system are vested the powers and duties specified in sections 104.010 and 104.312 to 104.1215, RSMo and such other powers as may be necessary or proper to enable it, its officers, employees, and agents to carry out fully and effectively all the purposes of sections 104.010 and 104.312 to 104.1215, RSMo.

Prospective Plan Termination

On April 26, 2005, Governor Matt Blunt signed into law Senate Bill No. 202, et al that terminated the Administrative Law Judges and Legal Advisors' Plan (ALJLAP) for new hires only. Individuals appointed or employed as administrative law judges or legal advisors in the Division of Workers' Compensation, members of the Labor and Industrial Relations Commission and their attorneys, the chairperson of the State Board of Mediation and administrative hearing commissioners were previously eligible for membership in the ALJAP. Under this legislation, individuals who assume a position after April 26, 2005 who would have otherwise been covered by the ALJLAP will instead participate in the MSEP or the MSEP 2000, depending on when they initially became state employees. This legislation does not impact anyone serving in (or who had served in) a position covered by the ALJLAP prior to the effective date of the legislation. All liabilities and assets of the ALJLAP have been transferred and combined with the MSEP. Membership totals for ALJLAP members are reflected as combined with the MSEP in all relevant sections of this report.

Responsibility for the operation and administration of the system is vested in MOSERS' board of trustees. Due to the nature of MOSERS' reliance on funding from the state of Missouri and the overall control of the plan document by the legislative and executive branches of state government, the MSEP is considered a component unit of the state of Missouri financial reporting entity and is included in the state's financial reports as a pension trust fund.

Generally, all full-time state employees hired before July 2000 who were not covered under another state-sponsored retirement plan are eligible for membership in the MSEP (closed plan). All full-time state employees hired after July 2000 are eligible for membership in the MSEP 2000 (new plan). MOSERS participates as an employer in the MSEP.

As of June 30, 2005, membership in the MSEP consisted of the following:

Retirees and beneficiaries currently receiving benefits		25,780
Terminated employees entitled to, but not yet receiving benefits		14,718
Active		
Vested	36,547	
Non-vested	19,397	55,944
Total membership		96,442

The MSEP provides retirement, survivor, and disability benefits.

MSEP (closed plan)

General state employees are fully vested for benefits upon receiving five years of credited service. Under the MSEP (closed plan), general employees may retire with full benefits upon the earliest of attaining:

- Age 65 and active with 4 years of service;
- Age 65 with 5 years of service;
- Age 60 with 15 years of service; or
- Age 48 with age and service equaling 80 or more (Rule of 80).

General employees may retire early at age 55 with at least 10 years of service with reduced benefits.

The base benefit in the general employee plan is equal to 1.6% multiplied by the final average pay multiplied by years of credited service.

For members hired prior to August 28, 1997, cost-of-living adjustments (COLAs) are provided annually based on 80% of the change in the consumer price index (CPI) with a minimum rate of 4%, and maximum rate of 5%, until the cumulative amount of COLAs equals 65% of the original benefit. Thereafter, the 4% minimum rate is eliminated. For members hired on or after August 28, 1997, COLAs are provided annually based on 80% of the change in the CPI up to a maximum rate of 5%.

Qualified, terminated-vested members may make a one-time election to receive the present value of their benefit in a lump sum payment. To qualify, a member must have terminated with at least five, but less than ten years of service, be less than age 60, and have a benefit present value of less than $10,000.

Administration of the MSEP is financed through contributions to this plan from the state of Missouri.

MSEP 2000 (new plan)

General state employees are fully vested for benefits upon receiving five years of credited service. Under the MSEP 2000 (new plan), general employees may retire with full benefits upon the earliest of attaining:

- Age 62 with 5 years of service; or
- Age 48 with age and service equaling 80 or more (Rule of 80).

General employees may retire early at age 57 with at least 5 years of service with reduced benefits.

The base benefit in the general employee plan is equal to 1.7% multiplied by final average pay multiplied by years of credited service. For those retiring under Rule of 80, an additional temporary benefit equivalent to 0.8% multiplied by final average pay multiplied by years of credited service is payable until age 62.

COLAs are provided annually based on 80% of the change in the CPI up to a maximum rate of 5%.

Administration of the MSEP 2000 is financed through contributions to this plan from the state of Missouri.

For a more detailed summary of benefits for general employees and a description of benefits available to legislators and elected officials under the MSEP (closed plan) and the MSEP 2000 (new plan), refer to the Summary of Plan Provisions contained in the Actuarial Section of this report.

The state of Missouri is required to make all contributions to the MSEP. Prior to September 1, 1972, contributions by members were required. Accumulated employee contributions made prior to that time, plus interest through August 28, 1997, are refundable to the member or designated beneficiaries upon request.

Judicial Plan

The Judicial Plan is a single-employer, public employee retirement plan administered in accordance with Sections 476.445 to 476.690, RSMo. Responsibility for the operation and administration of the Judicial Plan is vested in MOSERS' board of trustees. Due to the nature of MOSERS' reliance on funding from the state of Missouri and the overall control of the plan document by the legislative and executive branches of state government, the Judicial Plan is considered a component unit of the state of Missouri financial reporting entity and is included in the state's financial reports as a pension trust fund.

Judges and commissioners of the supreme court or the court of appeals, judges of the circuit court, probate court, magistrate court, court of common pleas, court of criminal corrections, or a justice of the peace, or a commissioner or deputy commissioner of the circuit court appointed after February 29, 1972 are eligible for membership in the Judicial Plan.

On June 30, 2005, membership in the Judicial Plan consisted of the following:

Retirees and beneficiaries currently receiving benefits		397
Terminated employees entitled to, but not yet receiving benefits		71
Active		
Vested	392	
Nonvested	0	392
Total membership		860

The Judicial Plan provides retirement, death, and disability benefits. Members are immediately eligible for benefits.

Under the Judicial Plan, members may retire with full benefits upon the earliest of attaining:

- Age 62 with 12 years of service;
- Age 60 with 15 years of service; or
- Age 55 with 20 years of service.

Employees may retire early at age 62 with less than 12 years of service or age 60 with less than 15 years of service with a reduced benefit that is based upon years of service relative to 12 or 15 years.

In the Judicial Plan, the base benefit for members with 12 or more years of service is equivalent to 50% of compensation on the highest court served.

For members hired prior to August 28, 1997, COLAs are provided annually based on 80% of the change in the CPI with a minimum rate of 4%, and maximum rate of 5%, until the cumulative amount of COLAs equals 65% of the original benefit. Thereafter, the 4% minimum rate is eliminated. For members hired on or after August 28, 1997, COLAs are provided annually based on 80% of the change in the CPI up to a maximum rate of 5%.

Qualified, terminated-vested members may make a one-time election to receive the present value of their benefit in a lump sum payment. To qualify, a member must have terminated with at least 5, but less than 10 years of service, be less than age 60, and have a benefit present value of less than $10,000.

For a more detailed summary of benefits for members of the Judicial Plan, refer to the Summary of Plan Provisions contained in the Actuarial Section of this report.

Funding of the Judicial Plan on an actuarial basis began on July 1, 1998. The state of Missouri is required to make all contributions to the Judicial Plan. Administration of the Judicial plan is financed through contributions to this plan from the state of Missouri.

Missouri State Insurance Plan

The Missouri State Insurance Plan is accounted for as an internal service fund of the state of Missouri and is administered by MOSERS. It provides basic life insurance in an amount equal to one-times annual salary while actively employed (with a $15,000 minimum) to:

- Eligible members of the MSEP and MSEP 2000 (except employees of the Missouri Department of Conservation, and certain state colleges and universities);
- Members of the Judicial Plan;
- Certain members of the Public School Retirement System

The plan also provides duty-related death benefits, optional life insurance for active employees and retirees who are eligible for basic coverage, and a long-term disability plan for certain eligible members. For a more detailed description of insurance benefits, refer to the *Summary of Plan Provisions-Life Insurance Plans* in the Actuarial Section of this report.

Due to the nature of MOSERS' reliance on funding from the state of Missouri and the overall control of the plan document by the legislative and executive branches of state government, the Missouri State Insurance Plan is considered a component unit of the state of Missouri financial reporting entity and is included in the state's financial reports as an internal service fund. Administration of the Missouri State Insurance Plan is financed through contributions to this plan from the state of Missouri.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

Basis of Accounting

The financial statements of the MSEP, the ALJLAP, the Judicial Plan, and the Missouri State Insurance Plan were prepared using the accrual basis of accounting.

Contributions are due to MOSERS when employee services have been performed and paid. Contributions are recognized as revenues when due, pursuant to statutory requirements. Benefits and refunds are recognized when due and payable and expenses are recorded when the corresponding liabilities are incurred, regardless of when contributions are received or payment is made. The direct method of reporting cash flows is used.

The system adopted early implementation of GASB Statement No. 40, Deposit and Investment Risk Disclosures, issued in March 2003 during last fiscal year ending June 30, 2004. This pronouncement requires additional disclosures presented in these notes but has no impact on the system's net assets. These disclosures address common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Included as an element of interest rate risk, Statement No. 40 requires disclosures of investments that have fair values that are highly sensitive to changes in interest rates.

Cash

The board has no formal policy specific to custodial credit risk. Custodial credit risk for cash deposits and investments is the risk that in the event of a bank failure, the system and plans' deposits may not be returned to them. The system mitigates custodial credit risk for deposits and investments by requiring the bank to pledge securities from an acceptable list in an amount over the FDIC insured amount of at least equal in market value to 100% of the aggregate amount of the deposits. These securities are required to be delivered to a third party institution mutually agreed upon by the bank and MOSERS. The deposits are held in one financial institution with a balance of up to $100,000 insured by the Federal Deposit Insurance Corporation (FDIC).

Cash balances represent both operating cash accounts held by the banks and investment cash on deposit with the investment custodian. To maximize investment income, the float caused by outstanding checks is invested, thus causing a possible negative book balance. Negative book balances are reflected in the liabilities section of the balance sheet of the internal service fund and included in the cash and short-term investments on the *Statements of Plan Net Assets* of the pension trust funds. The table at the top of the following page is a

schedule of the aggregate book and bank balances of all cash accounts. In addition to the FDIC insurance coverage on the accounts of MOSERS, the Central Trust Bank pledged the following securities to MOSERS on June 30, 2005, as collateral for overnight repurchase agreements:

- $600,000 Federal Home Loan Bank – callable Maturity Date 12/23/2008
- $275,000 Federal National Mortgage Assoc. Float Rate Note Maturity Date 02/17/2009
- $816,743 Small Business Association Pool #504192 Maturity date 04/25/2012
- $1,234,462 Small Business Association Pool #507184 Maturity Date 08/25/2018

	Cash Balances	
	Book	Bank/Investment Custodian
Pension Trust Funds	$(7,218,585)	$2,803,793
Internal Service Fund	(297)	315

Method Used to Value Investments

Section 104.440 RSMo allows the board of trustees to invest the trust fund assets in accordance with the prudent person rule. Investments of the pension trust funds and the internal service fund are reported at fair value.

The schedule on page 41 provides a summary of the fair values of the investments as reported on the *Statements of Plan Net Assets* of the pension trust funds and balance sheet of the internal service fund. Fair values for the equity real estate investments are based on appraisals. Fair values of the limited partnership investments are based on valuations of the underlying companies of the limited partnerships as reported by the general partner. Fair value of the commingled funds are determined based on the underlying asset values. The remaining assets are primarily valued by the investment custodian using the last trade price information supplied by various pricing data vendors.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to MOSERS. As of June 30, 2005, MOSERS' fixed income assets that are not government guaranteed represented 77.9% of the fixed income portfolio. In preparing this report, credit risk associated with all fixed income holdings including collateral for repurchase agreements and securities lending collateral has been included. The following tables summarize MOSERS' fixed income portfolio exposure levels and credit qualities.

Average Credit Quality and Exposure Levels of Non-government Guaranteed Securities

Fixed Income Security Type	**Market Value June 30, 2005**	**Percent of All Fixed Income Assets**	**Weighted Average Credit Quality**	**Rating Dispersion Requiring Further Exposure**
Mortgages	$ 286,590,199	8.7%	Agency	See following page
Agencies	114,969,289	3.5	Agency	None
Collateralized mortgage obligations	15,719,369	0.5	AAA	See following page
Asset backed securities	626,743,178	19.1	AAA	See following page
Corporate bonds	990,208,267	30.2	BBB	See following page
Commercial paper	385,874,894	11.8	Mid Tier 1 & Tier 2	See following page
Preferred stock	102,005,237	3.1	AAA	See following page
Pooled investments	35,692,566	1.1	Not rated	None
Total non-gov't guaranteed securities	$2,557,802,999	78.0%		

Ratings Dispersion Detail

Credit Rating Level	Collateralized Mortgage Obligations	Asset Backed Securities	Corporate Bonds	Commercial Paper	Preferred Stock	Mortgages
Agency	$ 7,842,532	$ 30,334,577				$ 284,516,742
AAA	7,876,837	564,489,617	$ 29,056,749		$ 102,000,000	2,073,457
AA		30,126,561	179,983,511			
A			427,668,781			
BBB			45,698,728			
BB			70,963,256			
B		1,792,423	157,275,678			
CCC			76,971,811			
CC			475,285		5,237	
Tier 1				$ 162,000,000		
Tier 2				223,874,894		
Not rated			2,114,469			
Total	$15,719,369	$626,743,178	$990,208,268	$ 385,874,894	$ 102,005,237	$ 286,590,199

As a matter of practice, there are no overarching limitations for credit risk exposures within the portfolio. Each portfolio is managed in accordance with operational guidelines that are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and the average credit quality of the overall portfolios. CC is the only rating level from above that is not permissible in any of the guidelines. However, in circumstances where downgrades occurred subsequent to purchase (as is the case with the current exposure of $480,522), investment managers have been given permission to hold the security due to several mitigating circumstances such as a very short maturity or a much higher rating from other rating agencies, among others.

Credit risk for derivative instruments held by the system results from counterparty risk assumed by MOSERS. This is essentially the risk that the counterparty to a MOSERS' transaction will be unable to meet its obligation. Information regarding MOSERS' credit risk related to derivatives is found under the derivatives disclosures found on pages 37-39 of these notes.

Policies related to credit risk pertaining to MOSERS' securities lending program is found under the securities lending disclosures found on page 39 of these notes.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. There is no single issuer exposure within the MOSERS portfolio that comprises 5% of the overall portfolio and, therefore, there is no concentration of credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using the effective duration or option-adjusted methodology. It is widely used in the management of fixed income portfolios in that it quantifies to a much greater degree the risk of interest rate changes. The methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve. All of the system's fixed income portfolios are managed in accordance with operational guidelines that specify the degree of interest rate risk allowed. In any circumstance where interest rate risk is implied it is specifically indicated in the guidelines that credit risk is more prominent in the portfolio. It is believed that the reporting of effective duration found in the tables below quantifies to the fullest extent possible the interest rate risk of the system's fixed income assets. Interest rate risks associated with swaps and other derivative instruments are found in the derivatives disclosures on pages 37-39 of these notes.

Effective Duration of Fixed Income Assets by Security Type

Fixed Income Security Type	Market Value June 30, 2005	Percent of All Fixed Income Assets	Weighted Average Effective Duration (Years)	Interest Rate Risk Requiring Future Exposure
U.S. treasuries	$ 724,509,059	22.1%	9.0	See below
Government guaranteed mortgages	675,456	0.0	2.0	None
Mortgages	286,590,199	8.7	3.3	None
Agencies	114,969,289	3.5	2.0	None
Collateralized mortgage obligations	15,719,369	0.5	1.3	None
Asset backed securities	626,743,178	19.1	0.3	None
Corporate bonds	990,208,267	30.1	1.5	None
Commercial paper	385,874,894	11.8	0.1	None
Preferred stock	102,005,237	3.1	0.0	None
Pooled investments	35,692,566	1.1	0.0	None
Total	$ 3,282,987,514	100.0%	2.8	

Effective Duration Analysis of U.S. Treasuries

Fixed Income Security Type	Market Value June 30, 2005	Average Effective Duration of the Security Type	Contribution Effective Duration
Less than 1 year to maturity	$ 15,803,661	0.0	0.0
1 to 10 year maturities	362,127,594	4.0	2.0
Long coupon treasuries	246,862,587	12.5	4.3
Long stripped treasuries	99,715,217	19.6	2.7
Total	$ 724,509,059		9.0

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. MOSERS' currency risk exposures, or exchange rate risk, primarily reside within MOSERS' international equity investment holdings. MOSERS' implementation policy is to allow MOSERS' external managers to decide what action to take regarding their respective portfolio's foreign currency exposures using currency forward contracts.

MOSERS' exposure to foreign currency risk in U.S. dollars as of June 30, 2005 is highlighted in the table on the following page.

Currency Exposures by Asset Class

Currency	Cash and Currency Forward Contracts	Equities	Fixed Income	Total
Argentine Peso		$ 246,223		$ 246,223
Australian Dollar		22,916,016		22,916,016
Brazilian Real	$ 852	22,273,181		22,274,033
Canadian Dollar		36,024,469		36,024,469
Chilean Peso		4,097		4,097
Czech Koruna		327,099		327,099
Danish Krone		23,812,421		23,812,421
Egyptian Pound		1,356,068		1,356,068
Euro	17,436,720	245,832,704	$ 2,554	263,271,978
Hong Kong Dollar		68,751,133		68,751,133
Hungarian Forint		603,840		603,840
Indian Rupee	366,845	3,115,852		3,482,697
Indonesian Rupiah		3,750,351		3,750,351
Israeli Shekel		1,557,584		1,557,584
Japanese Yen	32,342,216	239,704,423		272,046,639
Jordanian Dinar		260,808		260,808
Malaysian Ringgit	30,356	7,296,055		7,326,411
Mexican Peso		14,908,734	34,230	14,942,964
New Zealand Dollar		378,192		378,192
Norwegian Krone		39,667,144		39,667,144
Pakistani Rupee		141,180		141,180
Peruvian New Sol	683	95,627		96,310
Philippines Peso		1,390,643		1,390,643
Polish Zloty		1,464,049		1,464,049
Russian Ruble		5,364		5,364
Singapore Dollar	(9,443)	41,626,771		41,617,328
South African Rand		15,443,116	393	15,443,509
South Korean Won	21,522	43,864,975	3,441,009	47,327,506
Sri Lankan Rupee		2,290		2,290
Swedish Krona		18,748,338		18,748,338
Swiss Franc		70,931,114		70,931,114
New Taiwan Dollar	318,242	28,599,686		28,917,928
Thai Baht	(15,385)	3,865,977		3,850,592
New Turkish Lira		6,431,089		6,431,089
British Pound Sterling	(47,719,973)	217,630,925		169,910,952
Venezuelan Bolivar		253,599		253,599
Grand Total	$ 2,772,635	$1,183,281,137	$3,478,186	$1,189,531,958

Derivatives

While the board has no formal policy specific to derivatives, the MOSERS investment implementation program, through its external managers, holds investments in futures contracts, swap contracts, and forward foreign currency exchange. The tables on the following page summarize the various contracts in the portfolio as of June 30, 2005, which are included in the fair value of investments reported in the *Statement of Plan Net Assets*. As of June 30, 2005, there were no currency forwards in place for direct investments of the system. Interest risks associated with these investments are included in the tables on the following page.

MOSERS does not anticipate additional significant market risk from the swap arrangements. Forward foreign currency exchange contracts are used primarily to hedge against changes in exchange rates related to foreign equities, primarily denominated in European and Asian currencies.

Futures Contracts

Contract	Expiration Date	Long/Short	Notional Value	Exposure
U.S. 10-year treasury notes	September-05	Short	$ (10,439,125)	$ (18,687)
U.S. 5-year treasury notes	September-05	Long	14,046,891	20,156
Gas oil	August-05	Long	11,077,000	252,965
Gasoline	July-05	Long	18,216,517	(235,735)
Crude oil	July-05	Long	64,071,000	(906,152)
Heating oil	July-05	Long	19,325,775	170,334
Brent Crude oil	August-05	Long	31,979,000	(333,292)
Natural gas	July-05	Long	20,035,470	(319,116)
MSCI Taiwan Index	July-05	Long	3,751,150	7,250
SPI 200 Index	September-05	Long	3,094,240	12,792
FTSE 100 Index	September-05	Long	8,170,229	8,026
Dj Euro Stoxx 50	September-05	Long	8,982,248	57,943
Topix Index	September-05	Long	6,147,550	2,048
Total			$ 198,457,945	$ (1,281,468)

Swaps

Type	MOSERS Pays	MOSERS Receives	Maturity Date	Notional Value	Exposure	Counterparty
Russell 2000 to Libor	Libor minus 50 bps	Russell 2000 Total Return	04/28/06	$ 46,945,904	$ 1,707,918	Goldman Sachs
Russell 2000 to Libor	Libor minus 50 bps	Russell 2000 Total Return	12/30/05	33,580,972	1,221,695	Goldman Sachs
S&P Total Return to Libor	Libor plus 5 bps	S&P 500 Total Return	11/30/05	301,509,089	(373,024)	JP Morgan Chase
S&P Total Return to Libor	Libor plus 5 bps	S&P 500 Total Return	07/31/06	217,281,598	(5,729,712)	JP Morgan Chase
Russell 2000 to Libor	Libor minus 50 bps	Russell 2000 Total Return	04/28/06	5,761,936	209,623	Goldman Sachs
Russell 2000 to Libor	Libor minus 50 bps	Russell 2000 Total Return	04/28/06	7,536,611	274,186	Goldman Sachs
Russell 2000 to Libor	Libor minus 50 bps	Russell 2000 Total Return	12/30/05	5,338,195	194,206	Goldman Sachs
S&P Total Return to Libor	Libor plus 5 bps	S&P 500 Total Return	11/30/05	48,416,336	(59,900)	JP Morgan Chase
S&P Total Return to Libor	Libor plus 5 bps	S&P 500 Total Return	07/31/06	40,563,513	(1,069,659)	JP Morgan Chase
Russell 2000 to Libor	Libor minus 50 bps	Russell 2000 Total Return	04/28/06	1,902,855	69,227	Goldman Sachs
GSCI to T-Bills	3-Month T-Bill plus 35 bps	GSCINETR Index	02/28/06	0	863,281	AIG Int'l
GSCI to T-Bills	3-Month T-Bill plus 35 bps	GSCINETR Index	03/31/06	0	(273,722)	AIG Int'l
GSCI to T-Bills	3-Month T-Bill plus 35 bps	GSCINETR Index	06/30/06	52,519,191	0	AIG Int'l
Lehman U.S. Treasury to Libor	Libor minus 15 bps	Lehman U.S. Treasury Index	12/30/05	148,630,290	544,516	Lehman
Lehman U.S. MBS to Libor	Libor minus 8 bps	Lehman U.S. MBS Index	09/30/05	45,617,575	50,180	Lehman
Lehman U.S. Agency to Libor	Libor plus 5 bps	Lehman U.S. Agency Index	04/28/06	5,550,984	10,391	Lehman
India Index to Libor	Libor minus 180 bps	MSCI India Index in USD	05/09/06	2,500,000	348,801	Morgan Stanley
EMF Index to Libor	Libor plus 75 bps	MSCI EMF Index in USD	05/09/06	6,407,975	217,693	Morgan Stanley
EMF Index to Libor	Libor minus 100 bps	MSCI EMF Index in USD	06/05/06	3,800,000	122,361	Morgan Stanley
Korea Index to Libor	Libor minus 65 bps	MSCI Korea Index in USD	08/11/05	7,739,610	183,576	Morgan Stanley
Lite-On Equity Swap	Libor minus 250 bps	Equity Price/TWD FX Rate	08/12/05	385,375	24,378	Morgan Stanley
Mega Financial Equity Swap	Libor minus 300 bps	Equity Price/TWD FX Rate	08/12/05	609,919	(4,094)	Morgan Stanley
Sinopac Equity Swap	Libor minus 350 bps	Equity Price/TWD FX Rate	08/12/05	331,659	(5,155)	Morgan Stanley
BENQ Corp. Equity Swap	Libor minus 400 bps	Equity Price/TWD FX Rate	08/12/05	295,515	7,065	Morgan Stanley
Chile Index to Libor	Libor minus 100 bps	Equity Price/TWD FX Rate	09/14/05	1,690,210	81,138	Morgan Stanley
International Bank Swap	Libor minus 200 bps	Equity Price/TWD FX Rate	08/12/05	350,223	(7,457)	Morgan Stanley
EMF Index to Libor	Libor minus 30 bps	MSCI EMF Index in USD	02/03/05	18,063,514	585,470	Lehman
Mexico Index to Libor	Libor minus 150 bps	MSCI Mexio Index in USD	08/04/05	1,437,766	147,018	Morgan Stanley
				$ 1,004,766,815	$ (660,000)	

MOSERS could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. MOSERS' investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. MOSERS anticipates that the counterparties will be able to satisfy their obligations under the contracts. Investments in limited partnerships and commingled funds may include derivatives that are not shown in the derivative totals.

MOSERS invests in mortgage-backed securities, which are reported at fair value in the *Statement of Plan Net Assets* of pension trust funds and are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which are likely in declining interest rate environments, thereby reducing the value of these securities. MOSERS invests in mortgage-backed securities to diversify the portfolio and increase the return while minimizing the extent of risk. Details regarding interest rate risks for these investments are included under the interest rate risk disclosures on page 35.

Securities Lending Program

The board of trustees' investment policy permits the pension trust funds to participate in a securities lending program. Fixed income, international equity, and domestic equity securities of the pension trust funds are loaned to participating brokers who provide collateral in the form of cash, U.S. Treasury or government agency securities, or letters of credit issued by approved banks. Collateral must be provided in the amount of 102% of market value for domestic loans and 105% of market value for international loans. MOSERS does not have the authority to pledge or sell collateral securities, without borrower default. Securities on loan at fiscal year end for cash collateral and on loan for non-cash collateral are presented in the schedule on page 41. On June 30, 2005, MOSERS had no credit risk exposure to borrowers because the collateral amounts received exceeded amounts out on loan.

As of June 30, 2005, Credit Suisse/First Boston, New York Branch (CSFBNY), served as the agent for the fixed income domestic equity, and international equity securities lending programs. In this capacity, MOSERS reduces credit risk by allowing CSFBNY to lend these securities to a diverse group of dealers on behalf of MOSERS. Indemnification against dealer default is provided by CSFBNY, an "AA-rated" bank. With each of MOSERS' securities lending programs, a majority of loans are open loans and can be terminated on demand by either MOSERS or the borrower. Net income from the three programs is split on an 85/15 basis between MOSERS and CSFBNY, respectively.

Daily monitoring of securities that are on loan ensure proper collateralization levels and mitigate counterparty risk. Cash collateral from all three programs is commingled and invested in a separately managed short-term investment fund for MOSERS. This cash collateral fund is managed by CSFBNY. On June 30, 2005, the cash collateral fund had a market value of $1,099,841,751 and a weighted average maturity of 24 days. For all of the securities lending operational services, the custodian is paid an annual fee, which is netted out against MOSERS' earnings in the securities lending programs managed by CSFBNY.

Limited Partnerships

Many of MOSERS' alternative investments are organized in the form of limited partnerships. In these partnerships, the manager is the general partner, and the limited partners are the investors. As of June 30, 2005, MOSERS had contracts with 23 limited partnerships across various types of alternative investments. These partnerships collectively represent 38% of the total fund.

Partnership Name	Style	Market Value of MOSERS Interest at June 30, 2005
Jade Ridge	Market neutral	$ 142,581,188
AQR Absolute Return Institutional Fund	Market neutral	158,520,322
Brinson	Venture capital	77,428
BGI Global Market Neutral Fund	Market neutral	206,972,025
Blackstone Hedged Equity Fund	Long/short	485,502,589
Blackstone Madison Avenue Fund	Market neutral	313,400,225
Blackstone Real Estate Partners IV	Real estate	58,565,737
Onyx Partnership	Emerging markets	92,269,356
Stinson M	Activist equity	54,340,799
Diamond Ridge	Market neutral	96,370,658
Catterton Partners V	Corporate buyout	13,147,271
B IV Capital Partners	Private debt	37,249,970
MHR Institutional Partners II A	Private debt	33,149,771
OCM Real Estate Opportunites Fund III	Real estate	37,908,504
OCM Opportunities Fund IV B	Private debt	19,634,724
OCM/GFI Power Opportunities Fund II	Corporate buyout	3,617,736
Newport Pioneer	Market neutral	300,036,822
Parish Capital Buyout Fund I	Corporate buyout	3,101,645
RH Fund 7	Activist equity	61,889,772
Wildwood Timberlands	Timberland	54,906,025
Silver Lake Partners II	Corporate buyout	2,425,529
TCW Energy Fund X D	Mezzanine debt	13,845,471
Sapphire Special Opportunities Fund	Private debt	91,043,232
		$ 2,280,556,799

Investments as of June 30, 2005

Type of Investment	Pension Trust Funds: Investments at Cost Value	Pension Trust Funds: Investments at Fair Value	Internal Service Fund: Investments at Cost Value	Internal Service Fund: Investments at Fair Value
Common stocks				
Out on loan	$ 243,171,953	$ 216,395,653		
Not on securities loan	397,091,206	553,933,009		
Total	**640,263,159**	**770,328,662**		
International equities				
Out on loan	18,728,621	22,382,526		
Not on securities loan	742,594,666	1,018,900,911		
Total	**761,323,287**	**1,041,283,437**		
International corporate bonds	54,061,823	53,613,090		
Preferred stocks	**6,734,580**	**10,234,536**		
Treasury bonds, notes and bills				
Out on loan	599,308,119	655,717,627		
Not on securities loan	34,617,617	50,380,507		
Total	**633,925,736**	**706,098,134**		
Government bonds and gov't mortgage backed securities	274,022,359	275,317,809		
Corporate bonds				
Out on loan	145,255,166	116,977,088		
Not on securities loan	1,093,222,365	1,124,402,200		
Total	**1,238,477,531**	**1,241,379,288**		
Convertible bonds	2	16		
Repurchase agreements	404,230	404,230	$ 1,942,452	$ 1,942,452
Short-term investment funds	917,586,578	917,586,578		
Collateralized mortgage obligations	56,334,781	56,707,757		
Real estate equity holdings	734,035	734,035		
Real estate investment trusts	84,179,310	127,310,040		
EAFE index fund	114,874,465	127,318,920		
Foreign currencies	14,096,354	13,388,428		
Limited partnerships	1,931,308,922	2,280,556,799		
Total investments				
Out on loan	1,006,463,859	1,011,472,894		
Not on securities loan	5,721,863,293	6,610,788,865	1,942,452	1,942,452
Total	**$ 6,728,327,152**	**$ 7,622,261,759**	**$ 1,942,452**	**$ 1,942,452**

Reconciliation to investments on *Statements of Net Assets*

Total from above	$ 7,622,261,759
Less short-term investments	
Repurchase agreements	(404,230)
Short-term investment funds	(567,674,458)
Less invested securities lending collateral	
Short-term investment funds	(349,912,120)
Corporate bonds	(749,929,631)
Investments on *Statement of Plan Net Assets*	**$ 5,954,341,320**

Capital Assets

Office building, furniture, fixtures and equipment costing $250 or more when acquired are capitalized at cost. Improvements, which increase the useful life of the property, are capitalized. Maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets according to the following schedule:

- 5 years for furniture, fixtures, and equipment
- 40 years for building

The table below is a schedule of the capital asset account balances as of June 30, 2004, and June 30, 2005, and changes to those account balances during the year ended June 30, 2005.

Capital Assets	Building and Land	Building and Building Improvements	Fixtures and Equipment	Total Capital Assets
Balances June 30, 2004	$ 267,286	$ 3,351,493	$ 1,897,803	$ 5,516,582
Additions	0	0	109,882	109,882
Deletions	0	0	(50,747)	(50,747)
Balances June 30, 2005	267,286	3,351,493	1,956,938	5,575,717
Accumulated Depreciation				
Balances June 30, 2004	0	485,788	1,415,654	1,901,442
Depreciation expense	0	84,285	178,999	263,284
Deletions	0	0	(45,849)	(45,849)
Balances June 30, 2005	0	570,073	1,548,804	2,118,877
Net capital assets June 30, 2005	$ 267,286	$ 2,781,420	$ 408,134	$ 3,456,840

(3) CONTRIBUTIONS AND RESERVES

The MSEP and the Judicial Plan are pension plans covering substantially all state of Missouri employees, administrative law judges and legal advisors in the Division of Workers' Compensation, and judges. The state of Missouri is obligated by state law to make all required contributions to the plans. The required contributions are expressed as a level percentage of covered payroll and are actuarially determined using an individual entry-age actuarial cost method. The unfunded accrued liabilities are amortized over a closed 30-year period. Costs of administering the plans are financed from the contributions to the pension trust funds.

(4) OTHER POST EMPLOYMENT BENEFITS (OPEB)

In addition to the retirement benefits provided through MOSERS, the state of Missouri also funds, either partially or in its entirety, OPEB for eligible retirees as follow:

Retiree Life Insurance

Members, who retire on or after October 1, 1985 are eligible for $5,000 of state-sponsored, basic life insurance coverage if they retire directly from active employment. As of June 30, 2005, 14,004 retirees were eligible and participating in the program. This insured defined benefit coverage is financed on a percent of payroll (.12%) and is purchased as a group policy through competitive bids. The cost for year ended June 30, 2005 was $1,834,428. Premiums are paid entirely by the state as provided for by Section 104.515, RSMo.

Retirees of the Department of Labor and Industrial Relations (DOLIR), who retired prior to January 1, 1996, are eligible for state-sponsored life insurance coverage in the same amount of coverage they were receiving through the DOLIR. As of June 30, 2005, 503 retirees were eligible and participating in the program. The

coverage of this closed group is purchased as a group policy through competitive bids at a current cost of $2.07 per thousand dollars of coverage, per month, per eligible participant ($58,399 for the year ended June 30, 2005). Premiums are paid entirely by the DOLIR as provided for by Section 228.225, RSMo. Retirees of the DOLIR who retired on or after January 1, 1996, are eligible for $5,000 of state-sponsored life insurance coverage if they retire directly from active employment. They are included in the group described in the preceding paragraph.

(5) PLAN TERMINATION

MOSERS and its related plans are administered in accordance with Missouri statutes. Plans can only be terminated by an amendment to these statutes by the Missouri Legislature.

(6) CONTINGENCIES

During the fiscal year, MOSERS sold the real estate investment property located in Kansas City, Missouri that was noted in last fiscal year as having environmental issues. As a result of this sale, MOSERS' interest in the property and any further liability with respect to the property has been released.

MOSERS is a defendant in one lawsuit that, in management's opinion, will not have a material effect on the financial statements.

Required Supplementary Information

Schedules of Funding Progress

Pension Trust Funds - Last Six Years

MSEP

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Percent Funded (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/00	$ 5,511,714,616	$ 5,920,684,192	$ 408,969,576	93.1%	$1,683,697,080	24.3%
6/30/01	5,881,232,850	6,065,166,716	183,933,866	97.0	1,758,190,268	10.5
6/30/02	6,033,133,598	6,294,272,275	261,138,677	95.9	1,773,283,484	14.7
6/30/03	6,057,329,072	6,662,291,406	604,962,334	90.9	1,739,895,364	34.8
6/30/04	6,118,214,495	7,230,010,928	1,111,796,433	84.6	1,737,454,454	64.0
6/30/05	6,435,344,102	7,578,028,017	1,142,683,915	84.9	1,806,600,560	63.3

ALJLAP*

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Percent Funded (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/00	$ 13,191,825	$ 16,521,743	$ 3,329,918	79.8%	$ 4,072,888	81.8%
6/30/01	14,410,199	16,809,962	2,399,763	85.7	4,661,020	51.5
6/30/02	15,172,619	18,175,342	3,002,723	83.5	4,779,504	62.8
6/30/03	15,626,461	19,946,487	4,320,026	78.3	4,657,896	92.7
6/30/04	16,238,804	20,384,213	4,145,409	79.7	4,655,340	89.0

* Assets and liabilities of the ALJLAP were transferred to the MSEP during fiscal year 2005

Judicial Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Percent Funded (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/00	$ 13,861,769	$ 241,797,341	$ 227,935,572	5.7%	$ 37,107,487	614.3%
6/30/01	22,613,050	247,978,904	225,365,854	9.1	38,687,793	582.5
6/30/02	29,651,113	256,115,452	226,464,339	11.6	40,068,744	565.2
6/30/03	34,566,516	267,049,857	232,483,341	12.9	40,052,952	580.4
6/30/04	39,120,142	280,397,464	241,277,322	14.0	39,878,499	605.0
6/30/05	44,223,509	292,303,886	248,080,377	15.1	40,016,098	620.0

See *Notes to the Schedules of Required Supplementary Information*.
See accompanying *Independent Auditors' Report*.

Required Supplementary Information

Schedules of Employer Contributions

Pension Trust Funds - Last Six Years

MSEP

Year Ended June 30	Annual Required Contribution Percent	Annual Required Contribution Dollar Amount	Percentage Contributed
2000	11.91%	$ 202,330,547	100%
2001	11.59	215,750,128	100
2002	11.59	209,515,026	100
2003	8.81	156,576,150	100
2004	9.35	164,691,836	100
2005	10.64	194,524,059	100

ALJLAP

Year Ended June 30	Annual Required Contribution Percent	Annual Required Contribution Dollar Amount	Percentage Contributed
2000	20.10%	$ 807,022	100%
2001	22.32	1,074,946	100
2002	22.32	1,072,562	100
2003	20.02	951,023	100
2004	20.12	945,950	100
2005	22.13	1,124,924	100

Judicial Plan

Year Ended June 30	Annual Required Contribution Percent	Annual Required Contribution Dollar Amount	Percentage Contributed
2000	53.92%	$ 19,988,676	100%
2001	55.30	22,473,913	100
2002	55.30	22,088,485	100
2003	52.12	20,802,140	100
2004	51.68	20,636,314	100
2005	54.51	21,852,985	100

See Notes to the *Schedules of Required Supplementary Information*.
See accompanying *Independent Auditors' Report*.

Required Supplementary Information
Notes to the Schedules
June 30, 2005

Actuarial Methods and Assumptions for Valuations Performed June 30, 2005

The entry-age actuarial cost method of valuation is used in determining liabilities and normal cost. Differences in the past between assumed experience and actual experience (actuarial gains and losses) become part of actuarial accrued liabilities. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are expressed as a percent of payroll. A closed 30-year amortization period was used for the June 30, 2005, valuations. The actuarial value of assets is based on a method that fully recognizes expected investment returns and averages unanticipated market return over a 5-year period. However, at their September 15, 2005 meeting, the MOSERS board considered the extreme volatility in the markets during the last five years and the statutory funding objective to employ methods which establish contribution rates that are likely to remain level from one period to another. As a result, the board elected to set the actuarial value of assets to market value as of June 30, 2005. Consequently, all remaining unrecognized investment gains or losses that would have otherwise been recognized over a period of years were fully recognized as of June 30, 2005. No change was made to the asset valuation method for future years, so it is anticipated that future investment gains or losses above or below the assumed investment return of 8.5% will continue to be recognized over discrete five-year periods. The investment return rate assumption used is 8.5% per year, compounded annually (net of investment expenses). The price inflation assumption used is 3.5% per year. Projected salary increase assumptions are based on 4% per year for wage inflation plus an additional 0% to 2.7% per year for the MSEP and 0% to 1.6% per year for the Judicial Plan (depending on age, attributable to seniority, and/or merit increases). The assumption used for annual post-retirement benefit increases is 4% (on a compound basis), for approximately the first 12 years, 3.1% for the 13th year and 2.8% per year thereafter or 2.8% per year, depending upon the date of hire and benefit election.

Factors That Have Significantly Affected Trends

1999 - The actuarial valuations as of June 30, 1999, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2001.

MSEP	**Amount**	**Percent of Payroll**
Change in benefits	$6,258,206	.40%
Experience and nonrecurring items	(11,264,771)	(.72)
ALJLAP		
Change in benefits	72,914	2.09
Experience and nonrecurring items	4,535	.13
Judicial Plan		
Change in benefits	321,123	.94
Experience and nonrecurring items	150,313	.44

2000 - The actuarial valuations as of June 30, 2000, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2002.

MSEP	**Amount**	**Percent of Payroll**
Changes in assumptions	$(5,051,091)	(.30)%
Experience and nonrecurring items	(10,438,922)	(.62)
ALJLAP		
Change in assumptions	36,656	.90
Experience and nonrecurring items	(51,726)	(1.27)
Judicial Plan		
Change in assumptions	(315,414)	(.85)
Experience and nonrecurring items	(352,521)	(.95)

2001 - The actuarial valuations as of June 30, 2001, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2003.

MSEP	**Amount**	**Percent of Payroll**
Change in assumptions	$(41,844,928)	(2.38)%
Release of asset funding margin	(15,647,893)	(.89)
Change in asset valuation method	(3,868,019)	(.22)
Plan experience	12,483,151	.71
ALJLAP		
Change in assumptions	(105,339)	(2.26)
Change in amortization of UAAL	(88,559)	(1.90)
Change in asset valuation method	(4,195)	(.09)
Plan experience	49,873	1.07
Judicial		
Change in assumptions	(1,133,552)	(2.93)
Change in asset valuation method	(197,308)	(.51)
Plan experience	441,041	1.14

2002 - The actuarial valuations as of June 30, 2002, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2004.

MSEP	**Amount**	**Percent of Payroll**
Recognizing state pay freeze FY03	$(6,206,492)	(.35)%
Plan experience	15,782,223	.89
ALJLAP		
Recognizing state pay freeze FY03	(20,074)	(.42)
Plan experience	23,420	.49
Judicial Plan		
Recognizing state pay freeze FY03	(208,357)	(.52)
Plan experience	32,055	.08

2003 - The actuarial valuations as of June 30, 2003, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2005.

MSEP	Amount	Percent of Payroll
Reduction in projected across-the-board pay increases to 1.67% for the fiscal year ending June 30, 2005	$(6,089,634)	(.35)%
Plan experience	28,543,284	1.64
ALJLAP		
Recognizing state pay freeze for annual salaries above $40,000	(18,632)	(.40)
Plan experience	112,255	2.41
Judicial Plan		
Recognizing state pay freeze for annual salaries above $40,000	(224,297)	(.56)
Plan experience	1,357,795	3.39

2004 - The actuarial valuations as of June 30, 2004, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2006.

MSEP	Amount	Percent of Payroll
Change in assumptions	$8,166,036	.47%
Experience and nonrecurring items	25,714,326	1.48
ALJLAP		
Change in assumptions	466	.01
Experience and nonrecurring items	(16,294)	(.35)
Judicial Plan		
Change in assumptions	(15,951)	(.04)
Experience and nonrecurring items	514,433	1.29

2005 - The actuarial valuations as of June 30, 2005, reflected the following changes to the computed contribution rates for fiscal year ending June 30, 2007.

MSEP	Amount	Percent of Payroll
Mark to market asset valuation method adjustment	$(10,116,963)	(.56)%
Recognition of state pay freeze on across-the-board increases for FY06	(3,793,861)	(.21)
Experience and nonrecurring items including the addition of the assets and liabilities from the ALJLAP	17,162,705	.95
Judicial Plan		
Mark to market asset valuation method adjustment	28,011	.07
Recognition of state pay freeze on across-the-board increases or FY06	(136,055)	(.34)
Change in amortization factor to reflect the state pay freeze for fiscal year ending June 30, 2006	556,224	1.39
Experience and nonrecurring items	640,258	1.60

Schedule of Investment Expenses
Pension Trust Funds - Year Ended June 30, 2005

	MSEP	ALJLAP	Judicial Plan	Total
Investing activity				
Investment management fees				
Aetos Capital Management - alpha pool	$742,372	$2,100	$5,521	$749,993
AmeriCap Advisors domestic all - cap	138,405	391	1,029	139,825
AQR Capital Management - alpha pool	2,226,468	6,298	16,558	2,249,324
Barclays Global Investors - alpha pool	1,475,176	4,173	10,971	1,490,320
BlackRock Financial Management - High Yield	1,291,170	3,652	9,602	1,304,424
BlackRock Financial Management - MBS/ABS	230,504	652	1,714	232,870
Blackstone Alternative Asset Management - hedged equity	4,217,609	11,930	31,366	4,260,905
Blackstone Alternative Asset Management - alpha pool	2,538,499	7,180	18,878	2,564,557
Blackstone Alternative Asset Management - market neutral	803,573	2,273	5,976	811,822
Blackstone Alternative Asset Management - real estate	2,009,937	5,685	14,948	2,030,570
Blackstone Alternative Asset Management - relative value	215,751	610	1,605	217,966
Blakeney Management - emerging markets	8,531,221	24,132	63,445	8,618,798
Blum Capital Partners - private equity	394,419	1,116	2,933	398,468
Bridgewater Associates - alpha pool	2,108,856	5,965	15,683	2,130,504
Brinson Partners - private equity	970	3	7	980
Bush O'Donnell - real estate	6,255	18	47	6,320
Capital Guardian Trust Company - domestic all-cap	502,399	1,421	3,736	507,556
Catterton Partners - private equity	559,349	1,582	4,160	565,091
DDJ Capital Management - private debt	840,246	2,377	6,249	848,872
Dimensional Fund Advisors Inc.- domestic SMID-cap	246,153	696	1,831	248,680
Grantham, Mayo, Van Otterloo & Co. - emerging markets	768,589	2,174	5,716	776,479
Hoisington Investment Management Co. - U.S. treasuries	169,652	480	1,262	171,394
Legg Mason Capital Management - domestic all-cap	2,428,629	6,870	18,061	2,453,560
Mastholm Investment Managers - int'l developed	980,651	2,774	7,293	990,718
Merrill Lynch Asset Management Group - EAFE	564,900	1,598	4,201	570,699
Merrill Lynch - emerging markets	202,292	572	1,504	204,368
MHR Fund Management - private debt	2,365,916	6,692	17,595	2,390,203
MOSERS Inc. - alpha pool	39	-	-	39
NISA Investment Advisors - commodities	750,984	2,124	5,585	758,693
NISA Investment Advisors - fixed income	222,644	630	1,656	224,930
NISA Investment Advisors - beta program domestic equity	102,793	291	764	103,848
NISA Investment Advisors - beta program hedged equity	46,616	132	347	47,095
NISA Investment Advisors - beta program fixed income	147,544	417	1,097	149,058
Oakbrook Investments enhanced S&P 500	93,469	264	695	94,428
Oaktree Capital Management - real estate	1,660,816	4,698	12,351	1,677,865
Oaktree Capital Management - emerging markets	1,057,771	2,992	7,866	1,068,629
Oaktree Capital Management - private debt	378,086	1,069	2,812	381,967
Oaktree Capital Management GFI Power - private equity	282,746	800	2,103	285,649
Pacific Alternative Asset Management Co. - alpha pool	1,122,466	3,175	8,348	1,133,989
Parish Capital Advisors - private equity	238,785	675	1,776	241,236
Relational Investors - private equity	436,953	1,236	3,250	441,439
Resource Management Service - timber	423,972	1,199	3,153	428,324
Silchester International Investors - int'l developed	2,199,833	6,223	16,360	2,222,416
Silver Lake Partners - private equity	105,896	300	788	106,984
Trust Company of the West - real estate	114,623	324	852	115,799
Wayzata Investment Partners - private debt	5,596,563	15,831	41,621	5,654,015
Total investment management fees	51,542,560	145,794	383,315	52,071,669

Continued on page 50

Schedule of Investment Expenses

Pension Trust Funds - Year Ended June 30, 2005

Continued from page 49

	MSEP	ALJLAP	Judicial Plan	Total
Other investment fees				
Investment consultant fees				
Summit Strategies, Inc.	398,738	1,128	2,965	402,831
Timberlink Consulting	3,959	11	29	3,999
Investment custodial fees				
Mellon Bank	779,491	2,205	5,797	787,493
Performance measurement fees				
Mellon Bank	318,314	900	2,367	321,581
Portfolio rebalancing costs				
NISA Investment Advisors, LLC	42,367	120	315	42,802
Miscellaneous expense	33,697	95	251	34,043
Internal investment activity expenses	1,610,878	4,557	11,980	1,627,415
Total investing activity expenses	54,730,004	154,810	407,019	55,291,833
Securities lending activity				
Securities lending borrower rebates	22,206,218	62,813	165,144	22,434,175
Securities lending management fees				
Mellon Bank	164,973	467	1,227	166,667
Credit Suisse First Boston	530,835	1,502	3,947	536,284
Total securities lending activity expenses	22,902,026	64,782	170,318	23,137,126
Total investment expenses	$77,632,030	$219,592	$577,337	$78,428,959

See accompanying *Independent Auditors' Report*.

Schedule of Internal Investment Activity Expenses

Pension Trust Funds - Year Ended June 30, 2005

	MSEP	ALJLAP	Judicial Plan	Total
Personnel services				
Salaries	$ 946,752	$ 2,678	$ 7,041	$ 956,471
Employee fringe benefits	255,219	722	1,898	257,839
Total personnel services	1,201,971	3,400	8,939	1,214,310
Professional services				
Attorney services	108,842	308	809	109,959
Consulting services	14,356	41	107	14,504
Total professional services	123,198	349	916	124,463
Communications				
Telephone	1,349	4	10	1,363
Total communications	1,349	4	10	1,363
Equipment				
Maintenance	34,219	97	254	34,570
Total equipment	34,219	97	254	34,570
Travel and meetings				
Staff travel and meetings	51,997	147	387	52,531
Total travel and meetings	51,997	147	387	52,531
General				
Educational materials	4,066	12	30	4,108
Office supplies	1,235	3	9	1,247
Subscriptions and dues	192,779	545	1,434	194,758
Miscellaneous	64	0	1	65
Total general	198,144	560	1,474	200,178
Total administrative expenses	$ 1,610,878	$ 4,557	$ 11,980	$ 1,627,415

See accompanying *Independent Auditors' Report*.

Schedule of Administrative Expenses

Pension Trust Funds - Year Ended June 30, 2005

	MSEP	ALJLAP	Judicial Plan	Total
Personnel services				
Salaries	$ 2,920,044	$ 8,260	$ 21,716	$ 2,950,020
Employee fringe benefits	999,865	2,828	7,436	1,010,129
Total personnel services	3,919,909	11,088	29,152	3,960,149
Professional services				
Actuarial services	148,009	419	1,101	149,529
Attorney services	53,987	153	401	54,541
Auditing services	46,028	130	342	46,500
Banking services	18,059	51	134	18,244
Consulting services	194,578	550	1,447	196,575
Total professional services	460,661	1,303	3,425	465,389
Communications				
Postage and mailing	298,527	844	2,220	301,591
Telephone	71,113	201	529	71,843
Printing	142,523	403	1,060	143,986
Total communications	512,163	1,448	3,809	517,420
Building and grounds				
Depreciation	83,429	236	620	84,285
Utilities	57,035	161	424	57,620
Maintenance	43,596	123	324	44,043
Total building and grounds	184,060	520	1,368	185,948
Equipment				
Depreciation	177,180	501	1,318	178,999
Maintenance	201,540	570	1,499	203,609
Rental	123,943	351	922	125,216
Gain on sale of equipment	(16,884)	(48)	(126)	(17,058)
Total equipment	485,779	1,374	3,613	490,766
Travel and meetings				
Board travel and meetings	16,802	48	125	16,975
Staff travel and meetings	227,607	644	1,693	229,944
Vehicle maintenance and operation	6,562	19	49	6,630
Total travel and meetings	250,971	711	1,867	253,549
General				
Educational materials	14,690	42	109	14,841
Office supplies	90,832	257	675	91,764
Subscriptions and dues	174,389	493	1,297	176,179
Insurance	116,390	329	866	117,585
Advertising	4,587	13	34	4,634
Miscellaneous	14,178	40	106	14,324
Total general	415,066	1,174	3,087	419,327
Total administrative expenses	$ 6,228,609	$ 17,618	$ 46,321	$ 6,292,548

See accompanying *Independent Auditors' Report*.

Schedule of Administrative Expenses

Internal Service Fund - Year Ended June 30, 2005

Personnel services	
Salaries	$ 269,157
Employee fringe benefits	87,373
Total personnel services	356,530
Professional services	
Attorney services	997
Auditing services	3,204
Banking services	704
Total professional services	4,905
Communications	
Postage and mailing	915
Telephone	4,617
Total communications	5,532
Building and grounds	
Building use charge	8,429
Utilities	3,714
Maintenance	2,916
Total building and grounds	15,059
Equipment	
Equipment use charge	17,915
Maintenance	16,315
Rental	8,624
Total equipment	42,854
Travel and meetings	
Board travel and meetings	1,103
Staff travel and meetings	19,246
Vehicle maintenance and operation	429
Total travel and meetings	20,778
General	
Educational materials	1,296
Office supplies	6,318
Subscriptions and dues	3,847
Insurance	8,102
Advertising	319
Miscellaneous	991
Total general	20,873
Total administrative expenses	$ 466,531

See accompanying *Independent Auditors' Report*.

Schedule of Professional/Consultant Fees

Year Ended June 30, 2005

		Pension Trust Funds				Internal Service Fund
Professional/Consultant	**Nature of Service**	**MSEP**	**ALJLAP**	**Judicial Plan**	**Total**	**MO State Insurance Plan**
Operation administrative expenses						
Gabriel, Roeder, Smith & Co.	Actuarial	$ 148,010	$ 419	$ 1,100	$ 149,529	$ 0
Deloitte & Touche LLP	Investment benchmark study	76,897	218	572	77,687	0
Thompson Coburn	Legal counsel	53,987	153	401	54,541	997
KPMG LLP	Financial audit	46,028	130	342	46,500	3,204
Cortex Applied Research Inc.	Governance consulting	45,038	127	335	45,500	0
Jack Pierce	Governmental pension consulting	29,695	84	221	30,000	0
Central Bank	Banking	18,059	51	134	18,244	704
University of Toronto	Governance research	16,744	47	124	16,915	0
Interactive Solutions International LLC	Phone system upgrade	15,303	43	114	15,460	0
Charlesworth & Associates	Risk management consulting	6,261	18	47	6,326	0
Klausner & Kaufman	Board presentation - fiduciary workshop	4,144	12	31	4,187	0
Media Masters, Inc.	Media consulting	495	1	4	500	0
Operation administrative expenses subtotal		460,661	1,303	3,425	465,389	4,905
Internal investment administrative expenses						
Thompson Coburn	Legal counsel	108,287	306	806	109,399	0
Summit Strategies Group	Travel expenses	12,025	34	89	12,148	0
KPMG of Taiwan	Tax services	2,332	7	17	2,356	0
CT Corp	Legal services	554	2	4	560	0
Internal investment administrative expenses subtotal		123,198	349	916	124,463	0
Total professional/consultant fees		$ 583,859	$ 1,652	$ 4,341	$ 589,852	$ 4,905

See accompanying *Independent Auditors' Report*.

Information on investment management and consulting fees can be found in the *Schedule of Investment Expenses* on page 49-50.

Investment Summary
Pension Trust Funds - Year Ended June 30, 2005

Type of Investment	June 30, 2004 Cost Value	June 30, 2004 Fair value	Purchases and Capital Additions at Cost	Sales and Redemptions at Cost	June 30, 2005 Cost Value	June 30, 2005 Fair Value	Percent of Total Fair Value
Fixed income							
Treasury bonds, notes, and bills	$1,050,404,816	$1,050,091,805	$364,736,539	$(781,215,619)	$633,925,736	$706,098,134	12%
Gov. Bonds and gov't. mortgage-backed securities	166,903,812	168,354,710	216,359,488	(109,240,941)	274,022,359	275,317,809	5
Corporate bonds	405,267,834	408,300,411	296,162,555	(212,649,214)	488,781,175	491,449,657	8
Convertible bonds	1	15	833,795	(833,794)	2	16	0
Collateralized mortgage obligations	43,321,452	43,724,974	32,752,767	(19,739,438)	56,334,781	56,707,757	1
International corporate bonds	36,274,981	36,955,963	32,112,431	(14,325,589)	54,061,823	53,613,090	1
Total fixed Income	1,702,172,896	1,707,427,878	942,957,575	(1,138,004,595)	1,507,125,876	1,583,186,463	27
Common stock	1,290,199,087	1,420,023,137	126,240,210	(776,176,138)	640,263,159	770,328,662	13
Preferred stock	14,248,376	16,159,907	4,022,929	(11,536,725)	6,734,580	10,234,536	0
International investments							
International equities	718,568,436	930,635,686	105,096,230	(62,341,379)	761,323,287	1,041,283,437	17
Foreign currency	7,665,270	7,539,591	105,807,374	(99,376,290)	14,096,354	13,388,428	0
EAFE index fund	179,656,081	171,078,831	-	(64,781,616)	114,874,465	127,318,920	2
Total international investments	905,889,787	1,109,254,108	210,903,604	(226,499,285)	890,294,106	1,181,990,785	19
Real estate							
Equity holdings	6,392,780	6,392,780	-	(5,658,745)	734,035	734,035	0
REITs	126,180,919	155,162,929	1,395,724	(43,397,333)	84,179,310	127,310,040	2
Total real estate	132,573,699	161,555,709	1,395,724	(49,056,078)	84,913,345	128,044,075	2
Limited partnerships	1,063,326,954	1,245,125,131	1,580,847,560	(712,865,592)	1,931,308,922	2,280,556,799	39
Investments (per *Statement of Plan Net Assets* page 26)	5,108,410,799	5,659,545,870	2,866,367,602	(2,914,138,413)	5,060,639,988	5,954,341,320	100%
Short-term investments							
Short-term investment funds	284,199,360	284,199,360	1,061,263,150	(777,788,052)	567,674,458	567,674,458	
Repurchase agreements	468,843	468,843	140,952,034	(141,016,647)	404,230	404,230	
Total short-term investments	284,668,203	284,668,203	1,202,215,184	(918,804,699)	568,078,688	568,078,688	
Invested securities lending collateral							
Corporate bonds	905,946,118	906,355,294	637,546,525	(793,796,287)	749,696,356	749,929,631	
Short-term investment funds	282,478,569	282,478,569	54,813,028,254	(54,745,594,703)	349,912,120	349,912,120	
Total invested securities lending collateral	1,188,424,687	1,188,833,863	55,450,574,779	(55,539,390,990)	1,099,608,476	1,099,841,751	
Total investments	$6,581,503,689	$7,133,047,936	$59,519,157,565	$(59,372,334,102)	$6,728,327,152	$7,622,261,759	

See accompanying *Independent Auditors' Report.*

Note: Due to space limitations and printing costs, a detailed listing of the investment holdings and transactions could not be provided in this annual report; however, the detailed reports are available for review as an appendix to this report at the MOSERS' office.

Investment Summary
Internal Service Fund - Year Ended June 30, 2005

	June 30, 2004				June 30, 2005		
Type of Investment	**Cost Value**	**Fair value**	**Purchases and Capital Additions at Cost**	**Sales and Redemptions at Cost**	**Cost Value**	**Fair Value**	**Percent of Total Fair Value**
Repurchase agreements	$1,762,813	$1,762,813	$499,246,789	$(499,067,150)	$1,942,452	$1,942,452	100%

See accompanying *Independent Auditors' Report*.
Note: Due to space limitations and printing costs, a detailed listing of the investment holdings and transactions could not be provided in this annual report; however, the detailed reports are available for review as an appendix to this report at the MOSERS' office.

Secure
System Assets

Investment Section

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MOSERS®
Missouri State Employees' Retirement System

October 17, 2005

Dear Members:

On behalf of the MOSERS investment team, I am honored to present the Investment Section of the MOSERS Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005.

Pension funds are a special type of financial business and, in plain and simple terms, need to be managed with clearly stated objectives, beliefs, and implementation strategies. In this preface to the Investment Section of the report, I will attempt to provide you with insights into MOSERS' asset management business with the following summary of MOSERS' investment management practices from the past and present and the expected future.

Our singular focus is on generating strong investment returns with the objectives of that focus being to assure that the retirement benefits promised you by the state of Missouri are secure and that they will be paid at the lowest cost possible to the taxpayers. The formal stated objective established by the board of trustees is to generate real return (which is return in excess of inflation) of 5% annually over long periods of time while minimizing risk to the greatest extent possible.

Current year highlights include:

- The fund generated a return of 12.6% (net of expenses) lifting the portfolio market value to an all-time high of $6.5 billion. (Net of price inflation, this was a "real return" rate of 10.1%.)
- The public equity portfolio generated returns of 12.3%; public debt added an additional 7.8%; while the alternatives portfolio produced results of 21.3%. Our strongest performing investments included the emerging market equity portfolio that produced returns of 37.6%; the commodities portfolio which delivered 22.8%; and the real estate and private debt portfolios that delivered returns of 31.5% and 24.1%, respectively.
- For the fifth straight year, MOSERS' investments have generated returns in excess of the benchmark and have done so with less volatility than the benchmark. The incremental reward from these results over five years has been an additional $900 million in MOSERS' coffers.
- Across time periods of 1-, 3-, 5- and 10-years, our investment results have been in the top 10% when compared to other public pension funds in the nation.

A Look at the Past

MOSERS' investment program was positioned considerably differently in the past than it is today. During the years up to and including the end of the last decade, MOSERS' portfolio was invested in a very traditional manner with a large portion of the assets consisting of various types of publicly traded common stock with most of the balance being in bonds that had high credit quality. By March 2000, approximately 72% of MOSERS' portfolio was invested in common stock with nearly one-half of that amount invested in the S&P 500 (considered by many to have become a large-cap growth index). Our program, not unlike many other large public funds, was managed around rigid rule-based decisions, static asset allocations, and a diversification model which, in today's environment, would have been viewed as marginal. On an absolute basis, MOSERS' portfolio performed very well; however, on a relative basis, it lagged its benchmarks.

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Our efforts to further diversify the portfolio during this time proved to be one of the best decisions we made in the management of the portfolio, given the fall of the equity market in mid 2000. We added investments in commodities and inflation indexed bonds and initiated a leading-edge rebalancing program using a combination of futures and cash purchases/sales to minimize transaction costs. What was important about this change and reflective of a key element in our past success of producing strong results was a willingness to stand outside the herd in pursuit of what we believe is in the best interest of our membership. While there is safety in being in the herd, the herd, by definition, is destined to be average to mediocre – mediocrity in long-term performance from our portfolio will not achieve the investment objectives and will cost the state of Missouri and its taxpayers hundreds of millions of dollars. In light of these observations and the board's willingness to deviate from the herd, a new course was charted for the portfolio in 2002.

The Present

The current asset allocation model is based on the view that conventional stocks and bonds, which previously had been the dominant drivers of return in our portfolio (and most other pension fund portfolios), were no longer positioned to deliver the returns necessary to achieve our long-term investment objectives. As a result, the following changes were initiated: (i) a more broadly diversified policy portfolio was adopted that included asset classes which possess different return characteristics such that some of our investments should be performing well regardless of the type of economic conditions that are being experienced at the time; (ii) allowing staff the latitude to make limited strategic asset allocation shifts in the portfolio when market opportunities are present; and (iii) increasing the amount of active risk in the portfolio through efficient value added strategies.

The investment categories included in our present investment policy extend well beyond traditional stocks and bonds. Publicly traded U.S. stocks and investment grade bonds represent 35% to 40% of the total portfolio. Other "allowable investments" include real estate, private debt, high yield bonds, private equity, hedge funds, timber, and commodities. These alternative asset classes provide meaningful diversification and together are expected to have a dampening effect on the overall risk characteristics of the portfolio.

While the meaningfully enhanced diversification of the portfolio is expected to produce more consistency in results, we believe certain components of the portfolio are currently positioned to also do well on a relative basis. These components will generate incremental returns, expressed at the margin, but are expected to be important contributors to successfully reaching our return objectives. One outgrowth of this approach to portfolio construction is an underweight to U.S. equities relative to developed international and emerging market equities. It is our belief that while most equity markets around the world are, at best, fairly valued, many continue to be overvalued, including the U.S. equity market.

On a relative basis, emerging countries still represent the cheapest markets around. Companies in these countries have seen steady increases in profitability as the economies in which they operate have steadily improved their balance sheets. However, relative returns have been very strong and as such future outperformance should decline. While we are not as excited about the relative attractivness of this overweight as we have been in the past, in plain and simple terms, we continue to prefer international stocks to U.S. stocks, and within international stocks, prefer emerging markets

Another strategic position in the portfolio is an underweight to Real Estate Investment Trusts (REITs) relative to our REITs policy benchmark. We began to sell REITs in exchange for private real estate funds and other surrogates two years ago. It seemed to us that REIT fundamentals and prices were moving in opposite directions. While this type of divergence can happen for a period of time, it does not go on forever. Our view, at that time, reflected an expectation that prices would fall. To date, prices have continued to climb; however, we continue to believe that prices are well ahead of themselves in this area and expect them to pull back. Several factors have created this favorable environment for REITs and real estate assets in general. Continued low borrowing costs have allowed many REITs to access cheap financing which, in turn, has allowed for continued acquisitions and growth. Additionally, investor demand has remained strong as flows out of equities into real estate have continued. However, if longer-term interest rates begin to rise, we anticipate that real estate, and REITs in particular, as high priced assets, are likely to perform poorly.

Along with the better asset diversification and the flexibility to make strategic portfolio shifts, MOSERS is presently utilizing active management strategies in many areas where lower cost index fund (passive) strategies were used in the past. Active management, if successfully employed, allows the fund to capture excess returns and may make the difference between achieving the inflation plus 5% real return objective or falling short. Our methods for seeking out these excess returns have also changed rather significantly in the last few years as we have continued to expand on implementation of our belief that active strategies, like those deployed primarily through hedge fund structures, are best situated to generate the strongest risk adjusted returns.

The Future

The portfolio is well diversified and, as a result, will continue to perform favorably on a relative basis. What the future holds in terms of absolute returns is, in plain and simple terms, unknowable.

We do believe that most major asset classes are now priced high (meaning that future expected returns are low). This situation seems to be the result of investors generally believing that there is less risk in the markets than has been the case historically. The Federal Reserve (Fed) has helped to create this situation by aggressively lowering interest rates (thus pumping large sums of liquidity into the economy) in the past several years. A few recent examples are the 1998 financial crisis involving the hedge fund, Long-Term Capital Management, coupled with Russia's default on its government bonds and, more recently, the decision to aggressively lower interest rates following 9/11. In these instances, without the proactive easy money philosophy of the Fed, it is likely that the economy and financial markets would have suffered to a much greater degree. While no one desires pain, markets need to be cleansed of excesses from time to time. Think of it like the wildfires that occasionally wreck havoc on forestlands in the west. These fires are part of mother earth's way of naturally replenishing herself. Bubbles, followed by subsequent crashes in the markets, are similar in that regard. However, the Fed has been able to put out the fires in advance of the system being purged of the excesses in the recent past. We are a nation and people filled with hope and optimism; therefore, after seeing the Fed successfully fight the last two fires, investors believe that the Fed will always be positioned to "come to the rescue." It is this sense of security that has allowed asset prices to inflate across the board and, correspondingly, produce our expectation of lower future returns. This conclusion is not a revelation -- even Fed Chairman Greenspan recently alluded to this as a possibility saying, "history cautions that long periods of relative stability often engender unrealistic expectations of its permanence and, at times, may lead to financial excess and economic stress." (He is not noted for being plain and simple in his choice of words.)

So, what does one do in this environment? Plain and simple – we spread our investments and the associated risks widely and remain patient. Warren Buffet, one of the greatest investors of all time, speaks frequently about the need for patience. He talks about how one of the beauties of the investment marketplace is that, unlike in the game of baseball, you can take as many strikes as you want without swinging the bat. It is only when you swing and miss that capital is at risk. While patience is the operative word in this environment, opportunities to generate strong returns exist; however, we believe that these strong returns will only be generated by special people, operating in niche markets in the far corners of the globe. To further complicate the situation, these investments opportunities are capacity constrained. However, the relatively small size of our portfolio, coupled with our reputation in the industry as forward thinking investors, will allow us better access than most and we must continue to search for these opportunities in an effort to squeeze out incremental returns at the margin. Just as importantly, we must strive to remain patient and, "not mistake a curve ball, low and away, for a fast ball in our wheelhouse."

Until next year,

Rick Dahl

Rick Dahl
Chief Investment Officer

Investment Consultant's Report

Summit Strategies Group
7700 Bonhomme Avenue, Suite 300
St. Louis, Missouri 63105
314/727-7211, Fax 314/727-6068

October 17, 2005

The Board of Trustees
Missouri State Employees' Retirement System
907 Wildwood Drive
Jefferson City, MO 65109

Dear Board of Trustees:

Plain **and** Simple. Last year's annual report theme was Lewis **and** Clark. If next year's annual report theme is Laurel **and** Hardy, the reader is advised to head for the hills. This year's theme is interesting because in some ways everything you need to know as a member, taxpayer or interested party in the MOSERS investment program can be summed up in a few very simple direct statements. And yet the investment program that these statements describe is anything but plain and simple. Let me use the rest of this letter to explain.

The retirement benefit of every active, inactive, and retired member of the system is assured. This is based on the legal requirement that the state of Missouri must meet its pension obligations. Ultimately, the taxpayer is the risk bearer for this obligation because it is the taxpayer that will have to fund any shortfall in system assets. A plan is laid out by the actuary and reviewed by the board every year that assures that if the proper amount of money is set aside today and the investment and demographic results assumed for the plan actually happen, then enough money will be in the fund to meet all future benefits as promised. If things go better than expected, every one is happy. If the future does not turn out as well as projected, the state (i.e. the taxpayers) must put aside enough additional contributions to meet these obligations.

The investment program is behaving at or above the long-term expectations of the fund. For the fiscal year ended June 30, 2005, the MOSERS investment portfolio returned 12.6%, easily beating the actuary's assumed rate of return objective of 8.5%. In fact, the last three years have been very good years for MOSERS as well as most investors. During that period, MOSERS earned a compound annual return of 12.2%. The 10-year return of 9.8% annualized also beat the actuarial target. The rates of return quoted here and throughout this annual report have been calculated using a time-weighted rate of return methodology based upon market values. In large part, these returns stemmed from investment markets having produced good solid results over these periods. This brings up a plain and simple fact of investing that is extremely important.

Large pools of well-diversified investments, like MOSERS, are, for the most part, dependant upon the investment markets for the actual results achieved. When the markets are generous to investors, like the last 1-, 3- and 10-year periods, MOSERS, and most other investors, will beat their actuarial assumptions. And,

for the exact same reason, the fund will not achieve these objectives when flat or falling markets exist. You see this in the 5- and 7-year annualized return numbers. These periods capture the full force of the bear market of 2000 to 2003 and, as a result, MOSERS' returns for these periods do not exceed the long-term assumptions. This is why the board routinely reviews its assumptions for long-term investment expectations to assure that they are reasonable and achievable, which to date they have been.

Versus broad market benchmarks, MOSERS has consistently added value. Versus public fund investment peers, MOSERS has consistently demonstrated that it is one of the finest, elite investment programs in the country. As I said in the previous section, a large portion of the actual return that MOSERS and other pension funds achieve will be dictated by the returns of the various markets, which are out of anyone's control. Therefore, the main focus of the MOSERS investment team, which consists of both internal staff and external investment professionals, is to earn a return in excess of what the markets deliver as well as search for new markets and strategies that will provide the fund with better diversification, higher returns, or both.

We typically measure this effort two ways. The first is to examine the actual results versus the results that would have been achieved if we had simply invested the MOSERS asset allocation in a basket of index funds. We call this the Policy Index. Simple. Straightforward. Very inexpensive. We are pleased to tell you that the actual results have exceeded the Policy Index for the 1-, 3-, 5-, 7- and 10-year periods. The excess return has been anywhere from .30% for one year to 2.8% annualized for 5 years. While this may not seem like a lot, when you calculate the excess returns for the 5-year period, the result is over $900 million. This amount can be attributed to (i) the hard and successful work of the board in aggressively pursuing excellence and state of the art investment thinking in a totally apolitical environment, (ii) the internal staff that oversees the implementation of the portfolio with a constant eye for innovation, efficiency and opportunity, and (iii) the external investment professionals that, in most cases, make the actual buy/sell decisions.

The other way we look at results is to compare MOSERS to other large public funds. While this is a less relevant comparison because there are actually huge differences among this group and the ways they invest, it can still be helpful because it highlights potential opportunity costs for funds and their current investment practices. Furthermore, it may signal an opportunity to rethink strategies. Fortunately, MOSERS has consistently ranked among the very highest returning public pension funds in the country, suggesting that MOSERS is the beneficiary of investment opportunities and its forward thinking philosophy. Compared with other public pension funds with greater than $1 billion in assets, MOSERS ranks in the 3rd percentile for the past year. This means that with its return of 12.6% for the fiscal year ending June 30, 2005, MOSERS outperformed 96% of large public funds in the Independent Consultant Cooperative sample. For 3-, 5-, and 10-years, the rankings are 1st, 3rd, and 7th percentile, respectively, meaning the investment results have always been at the very top of results earned around the country. This is a tribute to the board having embraced concepts allowing this fund to break away from group think and pursue the best investment opportunities instead of simply the most popular.

How these results get achieved is anything but plain and simple but, as a reader of this letter, I think it is more than sufficient that you simply remember the three simple, critical ideas expressed in bold in this letter.

Sincerely,

Stephen P. Holmes, CFA
President

Investment Policy Summary

The Board of Trustees of the Missouri State Employees' Retirement System is charged with the responsibility for investing the assets of the system in a manner consistent with fiduciary standards set forth in the "prudent person" rule. To that end, the board has adopted the following guiding principles to guide all investment-related decisions:

1. Preserve the long-term corpus of the fund.
2. Maximize total return within prudent risk parameters.
3. Act in the exclusive interest of the members of the system.

The investment policy summary serves as a reference point for management of system assets and outlines MOSERS' investment philosophy and practices.

Investment Objective

In keeping with the three guiding principles, the board has established the following broad investment objective:

- Develop a real return objective (RRO)[1] that will:
  - » Keep contribution rates reasonably level over long periods of time, absent changes in actuarial assumptions.
  - » Maintain contribution rates consistent with historical levels ranging from 8% to 12% of covered payroll.
- Establish an asset allocation policy that is expected to meet the RRO over long periods of time, while minimizing volatility.
- Minimizing the costs associated with implementation of the asset allocation through the efficient use of internal and external resources.

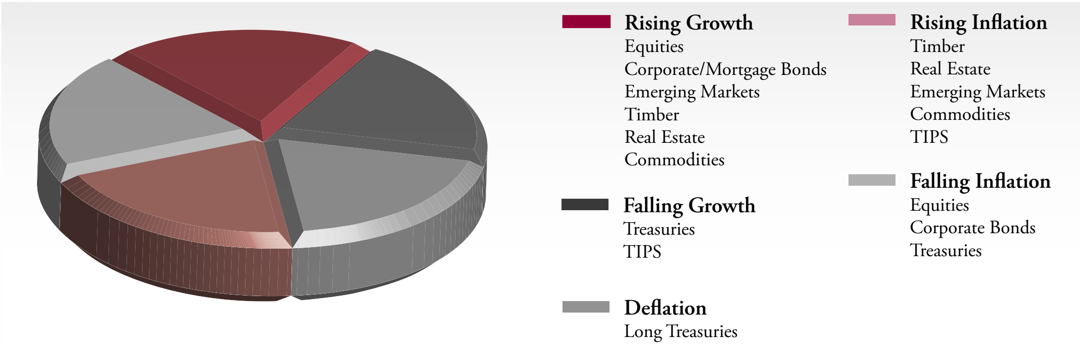
Investment Beliefs

MOSERS' internal investment staff and external asset consultant have established investment beliefs which have served as a guiding light in the implementation of the investment objectives adopted by the board. These beliefs have helped to form the basis of nearly every decision made within MOSERS' portfolio. From time to time, these beliefs may need slight modification to keep pace with the changing investment landscape; however, the fundamental concepts outlined in these beliefs should stand the test of time. The primary beliefs underlying MOSERS' investment program are as follows:

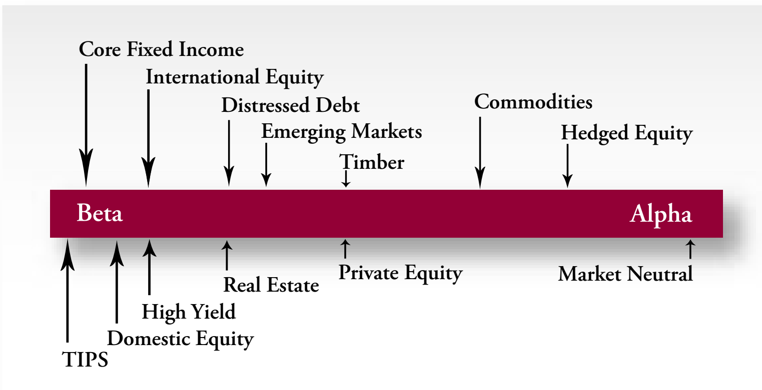
- **Diversification is critical because the future is unknown**. At the root of this belief is the knowledge that the future is unknowable. Accordingly, MOSERS' investment portfolio has been built upon the premise that very little is known about what the future holds and, as a result, the portfolio is structured to combat a variety of economic outcomes. The pie chart at the top of the following page reflects the various economic environments and the types of investments that should be expected to perform well in those environments. While staff may have views on the direction of the markets over the short-term, the adjustments to the portfolio will only be made at the margins to match those views. As a result, the portfolio will have significant diversification to provide risk reduction in a variety of markets.

1 The real return objective (RRO) is the rate by which the total return exceeds the inflation rate as measured by the CPI, U.S. City Average for all Urban Consumers (CPI-U). As of June 30, 2005, the real return objective was 5% after inflation.

Economic Diversification



Continuum of Beta and Alpha



- **Every investment should be examined in the context of the two distinct return components – beta and alpha**. Beta is the return which is expected from simply having exposure to the asset class. It is the return that can be earned by investing passively within a specific asset class. Exposures to beta can be purchased very cheaply and, over long periods of time, it is expected that returns from beta should be positive and coincide with the risk associated with a given asset class. Alpha, in contrast, is return generated through a manager's ability to select particular investments that perform better than the asset class as a whole. Alpha is a zero-sum game. For every winner, there is a loser on the other side. Historically, MOSERS' portfolio has been heavily weighted towards investments that provided mainly beta returns. In 2002, after the most recent asset/liability study, a greater emphasis was placed upon generating alpha returns within the portfolio, as it is expected that returns strictly from beta would not generate the returns necessary to fund the liabilities of the system. As you can see in the second chart above, several alpha-generating strategies are in place within the portfolio today.
- **Asset classes will be in and out of favor at different times and they all tend to be cyclical, thus flexibility is key**. This belief acknowledges that economies are cyclical and thus it is only logical that certain investments will fair better than others depending upon the current economic environment. In order to make a "good" investment, the price one pays for an investment must be considered. No investment offers the birthright of a high return. In order to capitalize on potential opportunities that may arise due to asset classes being "cheap" or "expensive" relative to their historical norms, the board has granted the chief investment officer the ability to make strategic sub-asset allocation decisions at the margins subject to predefined ranges.
- **This isn't about risk or return. It's about risk-adjusted returns with a long-term focus on the liabilities.** While it is easy to focus all attention on the returns a portfolio is able to generate, the risks relative to the liabilities of the system must be taken into consideration. Despite MOSERS' infinite time horizon, it must not be overlooked that there are benefits to be paid in the short run. In addition, the "cost of volatility" within the portfolio must not be underestimated as volatility has a dramatic impact on the contribution rate and thus the state's ability to fund the plan going forward.

Roles and Responsibilities

Board of Trustees —The board of trustees bears the ultimate fiduciary responsibility for the investment of system assets. Members of the board must adhere to state law and prudent standards of diligence with respect to their duties as investment fiduciaries. Accordingly, they are required to discharge their duties in the interest of plan participants. They must also "act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims.[2]" Specifically related to investments, the board is charged with the duties of establishing and maintaining broad policies and objectives for the investment program along with the recommendations of staff and the external asset consultant.

Executive Director —The executive director is appointed by, and serves at the pleasure of the board. The board has given the executive director broad authority for planning, organizing, and administering the operations and investments of the system under broad policy guidance from the board. Specifically with regard to investments, the executive director is broadly responsible for the oversight of the investment program. He or she must ensure the system assets are invested in accordance with the board's policies and that internal controls are in place to safeguard system assets. The executive director must also certify that all manager hiring and firing decisions were made in accordance with the board's governance policy. In addition, the executive director may approve strategic allocation decisions made by the CIO.

Chief Investment Officer (CIO) and Internal Staff — The CIO serves at the pleasure of the executive director, yet has a direct line of communication with the board on investment-related issues. The CIO has primary responsibility for the overall direction of the investment program. The CIO works with the external asset consultant and executive director in advising the board on policies related to the investment program. The CIO has primary responsibility to make hiring and firing decisions related to money managers, but must have the approval of the external asset consultant in so doing. In addition, the executive director must certify that the decision was made in accordance with the board's governance policy. The CIO is also charged with the responsibility of making strategic allocation decisions with the approval of either the executive director or the external asset consultant. Other responsibilities of the CIO include monitoring the investment of system assets, oversight of external money managers and the internally managed portfolios, and keeping the board apprised of situations which merit their attention. The internal investment staff is accountable to the CIO.

External Asset Consultant — Summit Strategies Group of St. Louis, Missouri serves as the system's external asset consultant. The external asset consultant serves at the pleasure of the board. The primary duties of the external asset consultant are to advise the board on policies related to the investment program and to provide a third party perspective and level of oversight to the system's investment program. The external asset consultant must also approve all manager hiring and firing decisions and may approve strategic allocation decisions made by the CIO. The external asset consultant also provides advice and input to the CIO and internal investment staff on investment-related issues and money manager searches.

Internal Auditor — The internal auditor reports directly to the executive director and, if in the opinion of the internal auditor circumstances warrant, may report directly to the board. The internal auditor is independent of the system's investment operations and among other things, is responsible for providing objective audit and review services for the investment operations. It is the internal auditor's objective to promote adequate and effective internal controls at a reasonable cost which results in suggested improvements that will lead to economies and efficiencies in the system's investment operations.

Master Custodian — Mellon Financial Corp. of Boston, Massachusetts serves as the master custodian of the system's assets, except in cases where investments are held in partnerships, commingled accounts, or unique asset classes where it is impossible for them to do so. The master custodian is responsible for maintaining the official book of records, providing performance reports, and serving as an additional layer of risk control in the safekeeping of system assets.

2 Section 105.688, RSMo - Investment Fiduciaries, Duties

Asset Allocation

The system's asset allocation is regarded as one of the most important decisions in the investment management process. The current asset allocation is designed to achieve the long-term required return objectives of the system given certain risk constraints. The current asset allocation reflects the need for a diversified portfolio which will perform well in a variety of economic conditions and will help reduce the portfolio's overall volatility. In determining the optimum mix of assets, the board considers five factors:

- The expected rate of return for each asset class.
- The expected risk of each asset class.
- The correlation between the rates of return of the asset classes.
- The investment objectives and risk constraints of the fund.
- The impact of the portfolio's volatility on the contribution rate.

The policy allocation as of June 30, 2005 is illustrated in the following table:

Policy Allocation

Asset Class	**Target Allocation**	**Strategic Allocation Ranges**
Public equity	50.0%	
Domestic equity	27.5	15.0 to 40.0%
Hedged equity	5.0	0.0 to 10.0
Developed int'l equity	15.0	5.0 to 25.0
Emerging market equity	2.5	0.0 to 5.0
Public debt	30.0	
Core fixed income	10.0	5.0 to 15.0
TIPS	10.0	5.0 to 15.0
High yield bonds	5.0	0.0 to 10.0
Market neutral	5.0	0.0 to 10.0
Alternatives	20.0	
Private debt	2.5	0.0 to 5.0
Commodities	2.5	0.0 to 5.0
Timber	5.0	2.5 to 7.5
Private equity	5.0	2.5 to 7.5
REITs/Real estate	5.0	2.5 to 7.5

While the board maintains a set policy allocation mix, they have taken steps to provide flexibility at the sub-asset class level by granting authority to the chief investment officer, with the approval of the external asset consultant and certification of the executive director, to make sub-asset class allocation decisions based upon expectations for each sub-asset class. This flexibility has allowed the system to take advantage of changing market conditions. The board has placed ranges on the sub-asset class allocations in order to maintain appropriate risk controls. These ranges are included in the table above.

Rebalancing

It is the responsibility of staff to ensure that the asset allocation is followed by adhering to the system's rebalancing policy. Staff has engaged NISA Investment Advisors, LLC of St. Louis, Missouri, to assist in the oversight and implementation of the rebalancing policy. MOSERS utilizes a combination of cash market and exchange traded futures transactions to maintain the total fund's allocation at the broad policy level. Month-end reviews are conducted to bring the portfolio back within allowable ranges of the broad policy targets.

Risk Controls

MOSERS' investment program faces numerous risks; however, the primary risk to MOSERS is that the assets will not support the liabilities over long periods of time. In order to manage risk, the board has taken the following on-going steps to help protect the system.

- Actuarial valuations are performed each year to ensure the system is on track to meet the funding objectives of the plan. In addition, every five years an external audit of the actuary is conducted to ensure that the assumptions being made and calculation methods being utilized are resulting in properly computed liabilities.
- Asset/liability studies are conducted at least once every five years. The purposed of this study is to ensure that the current portfolio design is structured to meet the system's liabilities. This is also a time when investment expectations are reexamined in a more detailed way.
- A governance policy which incorporates investment limitations is in place to ensure that board policies are clearly identified. Within these documents, the desired outcomes are outlined, individuals are identified as to their responsibility for particular areas of the portfolio's management, and details are lined out as to how the outcomes will be measured by the board. Reporting requirements are clearly identified to ensure appropriate checks and balances are in place. In addition, annual performance audits are conducted to ensure the measurement tools and methodology being utilized to gauge performance are suitable.

Performance Objectives and Monitoring Process

Total Fund

Generating returns net of expenses in excess of the RRO of 5% after inflation remains the primary performance objective for the total fund over the long-term. The reason for the long-term focus on this objective is to preclude the temptation to overreact to events in the marketplace that have no relevance in the management of the relationship between the system's assets and liabilities. The resulting dilemma is the conflicting need to evaluate investment policy implementation decisions over shorter time frames while maintaining the longer-term focus necessary to manage and measure the fund's performance relative to the RRO. To address this problem, the board evaluates performance relative to policy and strategy benchmarks which help to evaluate the board's broad policy decisions and the staff and external consultant's implementation decisions. Policy benchmarks measure broad investment opportunities of each sub-asset class in which MOSERS has chosen to invest. The strategy benchmarks represent decisions made by the CIO to strategically deviate from the policy asset allocation for each sub-asset class (mid-point of the strategic allocation range). The return of the strategy benchmarks are determined based upon the actual weight of the asset class multiplied by the appropriate benchmark.

The policy and strategy benchmarks are used in the following manner to evaluate decisions made by the board and staff:

- **Board Decisions:** The value added through board policy decisions is measured by the difference between the total fund policy benchmark return and the RRO. This difference captures the value added by the board through their board policy asset allocation decisions relative to the return necessary to fund the system's liabilities. A policy benchmark return greater than the RRO reflects value added through board decisions. A policy benchmark return less than the RRO reflects losses or shortfalls in performance in funding the liabilities. These policy decisions are measured over long periods of time.
- **CIO and External Asset Consultant Decisions:** There are two components to decisions made by the CIO and external asset consultant which are monitored by the board on an ongoing basis. These include 1) strategic sub-asset class allocation decisions and, 2) implementation decisions.

Strategy Decisions are sub-asset class allocation choices made by the CIO with the approval of the external asset consultant and the certification of the executive director to deviate from the policy benchmark weight. The value added through these decisions to overweight or underweight these sub-asset classes is measured

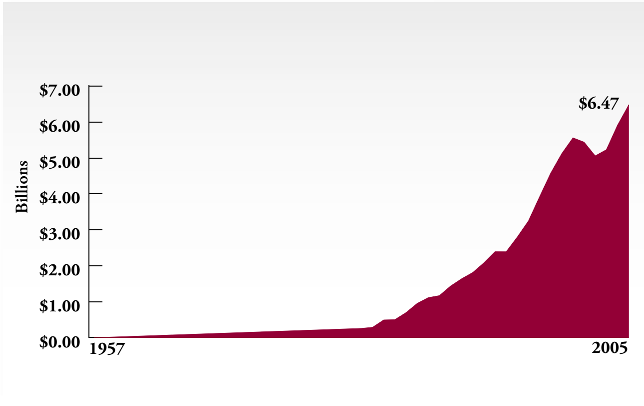
by the difference between the strategy benchmark return and the policy benchmark return. This difference captures the value added by the CIO through sub-asset class strategic decisions relative to the board's broad policy allocation decisions. A strategy benchmark return greater than the policy benchmark return reflects value added through the sub-asset class allocation decisions. A strategy benchmark return less than the policy benchmark return reflects losses to the fund's performance based upon strategy decisions. Strategy decisions should be measured over all periods of time, with majority weight placed on outcomes that have occurred over a market cycle.

Implementation Decisions are money manager selection choices made by the CIO with the approval of the external asset consultant and the certification of the executive director that the decision was made in accordance with the board's adopted governance policy. The value added through these decisions is measured by the difference between the actual portfolio return and the strategy benchmark return. This difference captures the value added through these manager selection decisions. An actual portfolio return greater than the strategy benchmark return reflects value added through these manager selection decisions. An actual portfolio return less than the strategy benchmark return reflects losses to the fund's performance based upon implementation decisions. Implementation decisions should be measured over all periods of time, with a majority weight placed on outcomes that have occurred over a market cycle.

The board receives performance information on a quarterly basis to help ensure adequate monitoring of the fund's overall performance objectives.

Asset Classes
At the broad asset class level, policy and strategy benchmarks have been established to measure board, and CIO/external consultant decisions. At the manager level, performance is measured against appropriate benchmarks for each particular investment mandate. Investment guidelines have been established for each manager outlining specific expectations for each portfolio. In addition, managers are employed with performance-based fee structures which help to align the manager's interest with the total fund objectives.

Total Fund Review



Market Value

As of June 30, 2005, the MOSERS investment portfolio had a market value of $6.47 billion. The chart to the left illustrates the growth of MOSERS' portfolio since the system's inception.

Investment Performance

MOSERS generated a return of 12.6% on investments for the fiscal year ended June 30, 2005. Performance for the fiscal year may be attributed to the various sub-asset classes. During the year, the public equity portfolio generated returns of 12.3%; public debt added 7.8%, while the alternatives portfolio produced results of 21.3%. The table at bottom left illustrates each sub-asset classes' contributions to the total return.

Sub-Asset Class Returns for Fiscal Year Ended June 30, 2005

Sub-Asset Class	Fiscal Year Return	Contribution to Total Return
Domestic equity	7.70%	1.42%
Developed int'l equity	14.50	2.37
Emerging markets	37.60	1.81
Hedged equity	7.10	0.67
Total equity	12.30	6.28
Core bonds	6.00	0.47
High yield	11.10	0.59
TIPS	9.90	0.77
Market neutral	4.00	0.29
Total fixed income	7.80	2.13
REITs/real estate	31.50	1.44
Commodities	22.80	0.78
Private debt	24.10	0.64
Timber	22.60	0.93
Private equity	9.90	0.40
Illiquid assets	5.50	0.01
Total alternatives	21.30	4.21
Cash[3]	6.90	0.02
Total fund	12.63%	12.63%

Investment Performance vs. the Required Return Objective

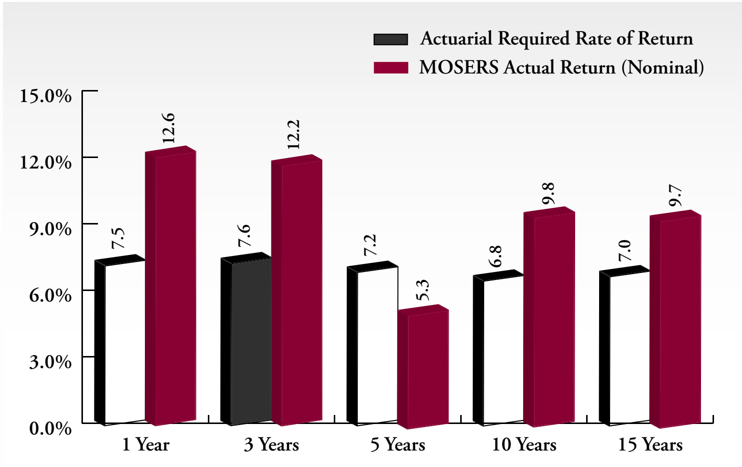
The first measure of comparison for the portfolio's investment performance is to determine how well the fund performed relative to the required return objective (RRO). The RRO is the rate established by the board that MOSERS' investment portfolio must earn in order to meet future plan obligations after accounting for inflation. The actuarial funding objective is to produce a return that exceeds the rate of inflation by 5% per year. The best known measure of inflation is the Consumer Price Index (CPI)[4]. For purposes of examining fund performance relative to the RRO, we are interested in long periods of time. Given the volatile nature of the investment markets, we should not expect the portfolio to always meet the RRO in the short-term. From the graph at the top of the following page, one can see that MOSERS' investment returns have exceeded the RRO over long periods of time[5].

Investment Performance vs. Benchmark Comparisons

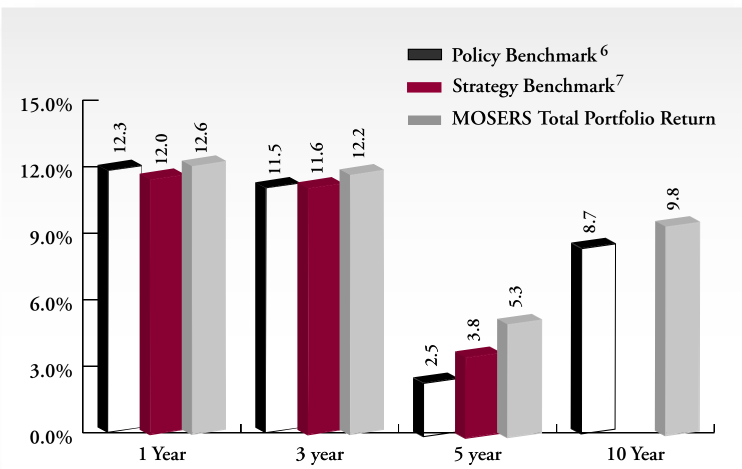
In addition to measuring performance relative to the RRO, the board also compares fund returns to the following two benchmarks: the policy benchmark and the strategy benchmark. Descriptions of the policy and strategy benchmarks follow.

3 The return for cash includes income from securities lending, securities litigation, and other miscellaneous sources.
4 CPI Source: United State Department of Labor, Bureau of Labor Statistics (not seasonally adjusted). MOSERS' real return is the excess return over the CPI utilizing the formula: Real = (1+Nominal)/(1+CPI)-1.
5 Performance returns were calculated using a time weighted rate of return based on market values.

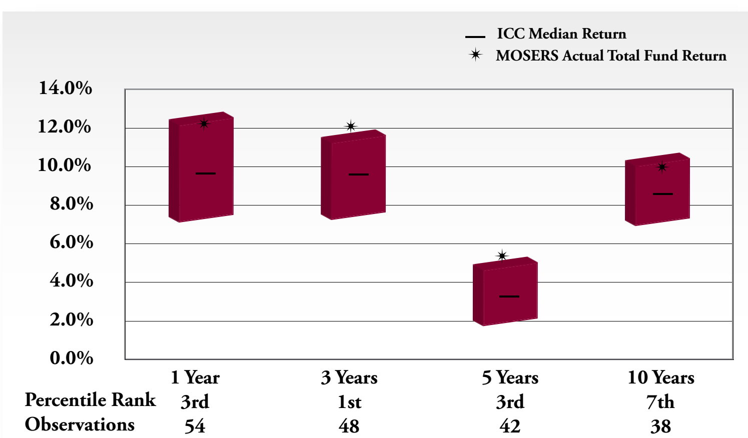
Total Fund Actual Return vs. Required Return Objective



Total Fund Actual Return vs. Benchmarks



Total Fund Return vs. ICC Universe



6 As of 6/30/05, the policy benchmark was comprised of the following components: 50% total public equity policy benchmark, 30% total public debt policy benchmark, 20% total alternative investments policy benchmark.

7 As of 6/30/05, the strategy benchmark was comprised of the following components: 50% total public equity strategy benchmark, 30% total public debt strategy benchmark, 20% total alternative investments strategy benchmark.

8 The ICC is a cooperative of 17 independent consultants from across the U.S. and one major custodial bank that collectively provides performance data to create the universe of funds with assets in excess of $1billion. Note that performance within this universe is captured gross of fees.

- **The policy benchmark** provides an indication of the returns that could be achieved (excluding transaction costs) by a portfolio invested passively in the broad market with percentage weights allocated to each asset class in MOSERS' policy asset allocation.
- **The strategy benchmark** is more narrowly defined and focuses on the sub-asset class allocation decisions made by the chief investment officer. Prior to 1995, strategy benchmarks were not clearly defined.

The historical returns for the total fund versus these benchmarks are displayed in the second graph to the left.

By comparing the policy benchmark to the strategy benchmark, the board is able to determine what value is being added through strategic decisions made by the CIO to position the fund away from the policy allocation. Value is being created if the strategy benchmark returns exceed the policy benchmark returns.

Similarly, by comparing the actual return to the strategy benchmark, the board will, over time, be able to judge the success or failure of the staff and the consultant in implementing the CIO's strategic decisions. The primary implementation decision is in determining which managers the fund should employ. Value is being added from manager selection if the total fund return exceeds the strategy benchmark return.

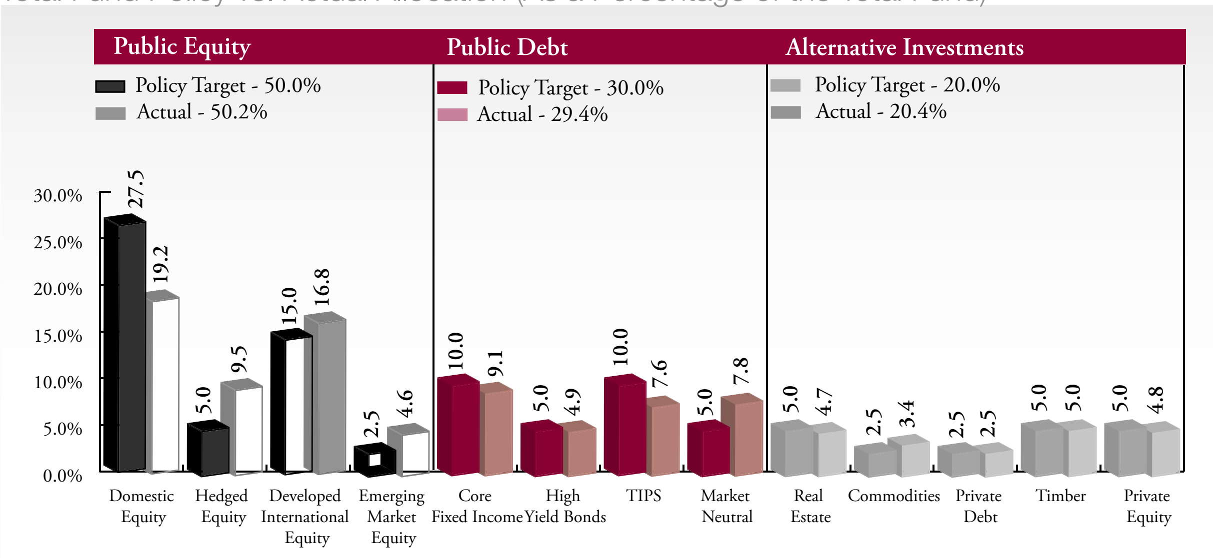
Investment Performance vs. Peer Universe

To a lesser extent, the board compares total fund performance to returns generated by a peer group of public pension funds generated by the Independent Consultants Cooperative (ICC)[8] universe. For the past fiscal year, MOSERS' total fund return of 12.6% was ranked second out of the 54 funds in the ICC universe of public pension plans with assets in excess of $1 billion. Historical data about MOSERS' total fund performance within the ICC universe is provided in the bottom chart to the left.

Asset Allocation Overview

As of June 30, 2005, the board's broad policy allocation mix was 50% public equity, 30% public debt, and 20% alternative investments. The chart below illustrates the policy target as of June 30, 2005 for each sub-asset class, along with the actual strategic allocation to each type of investment.

Total Fund Policy vs. Actual Allocation (As a Percentage of the Total Fund)



In the spring of 2002, staff in conjunction with Summit Strategies, the system's external asset consultant, conducted an asset/liability study to reexamine the policy asset allocation of the fund. The intent was to examine the portfolio's ability to generate the required rate of the return given return expectations from the various asset classes represented in the portfolio, and to lower the total portfolio volatility. The formal study revealed that the MOSERS' portfolio could be further diversified in order to protect it from a variety of economic scenarios that might play out over time, thus reducing the portfolio volatility and ultimately contribution rates.

In addition, the board granted flexibility to the CIO to make strategic decisions related to the allocation subject to predefined ranges. A strategic decision should be thought of as any decision that might cause MOSERS' actual portfolio to differ from the policy asset allocation. This has allowed MOSERS to capitalize on investment opportunities at the margin by overweighting asset classes that are viewed as "cheap" relative to their historical norm and underweighting asset classes that are "expensive" relative to their historical norm. Since being granted this authority in 2002, the ability to make strategic asset allocation decisions along with manager hiring decisions has added 0.7% of return annually, or approximately $41 million of additional assets annually to the portfolio.

Schedule of Investment Portfolios by Asset Class

As of June 30, 2005

	Fair Value
Public equity	
Domestic equity	$ 1,239,873,675
Developed international equity	1,086,282,802
Emerging market equity	300,070,200
Hedged equity	616,069,607
Total public equity	3,242,296,284
Public debt	
Core fixed income	586,303,368
High yield bonds	317,582,492
TIPS	491,343,661
Market neutral	508,038,099
Total public debt	1,903,267,620
Alternative investments	
Real estate	303,519,224
Commodities	217,162,243
Private debt	164,148,652
Private equity - temporary	311,239,279
Timber - temporary	321,996,924
Total Alternative Investment	1,318,066,322
Other portfolios	
Other investments	940,591
Cash reserve	11,074,823
Total other	12,015,414
Grand total	$ 6,475,645,640

Reconciliation to *Statement of Plan Net Assets*	
Total portfolio value	$ 6,475,645,640
STIF	(567,674,458)
Uninvested cash	(32,085)
Cash held at Lehman Brothers	(1,285,284)
Accrued income	(17,236,844)
AR securities sold	(547,083,629)
AP securities purchased	588,549,257
Incentive fees payable	23,147,750
Accrued security lending income	310,973
Investments per *Statement of Plan Assets*	$ 5,954,341,320

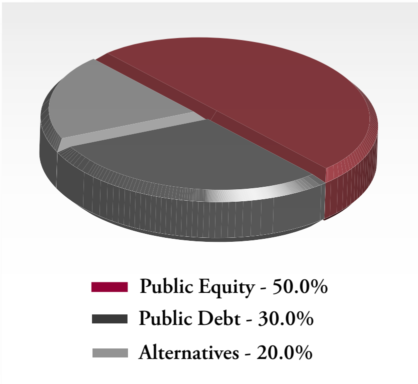
Investment Manager Fees

For the Year Ended June 30, 2005

	Total Fees Paid	Change in Incentive Fee Accrual
Public equity managers		
AmeriCap Advisors - domestic all-cap	$ 139,825	$ 0
Capital Guardian Trust - domestic all-cap	507,556	0
Legg Mason - domestic all-cap	884,181	1,569,379
Dimensional Fund Advisors	248,680	0
Oakbrook Investments - domestic all-cap	94,428	0
Mastholm Investment Managers - int'l developed	990,718	0
Merrill Lynch - enhanced EAFE	570,699	0
Silchester - int'l developed	2,222,416	0
Blakeney - emerging markets	8,618,798	0
Graham, Mayo, and Van Otterloo - emerging	776,479	0
Merrill Lynch - enhanced EMF	204,368	0
Oaktree Capital Management - emerging markets	1,933,200	(864,571)
Blackstone Hedged Equity - hedged equity	4,260,905	0
Total public equity managers	21,452,253	704,808
Public debt managers		
Blackrock MBS/ABS - MBS/ABS	232,871	0
NISA - fixed income	224,930	0
Blackrock - high yield	1,304,423	0
Blackstone - market neutral	3,376,379	0
Total public debt managers	5,138,603	0
Alternative investment managers		
Blackstone - relative value	217,967	0
Blackstone - real estate	2,030,570	0
Oaktree Capital Management - real estate	624,633	1,053,232
TCW - mezzanine debt	115,799	0
NISA - commodities	758,693	0
DDJ Capital Management - private debt	750,000	98,872
MHR Fund Management - private debt	725,003	1,665,200
Oaktree Capital Management - private debt	5,505,236	(5,123,269)
Wayzata Advisers - private debt	681,945	4,972,071
Blum Capital - private equity	398,468	0
Catterton Partners - private equity	565,091	0
Relational Investors - private equity	441,439	0
Hoisington - treasuries (deflation hedge)	171,394	0
Bush O'Donnell	6,320	0
OCM GFI Power Oppty	285,649	0
Parish Capital	241,236	0
RMS Wildwood	428,324	0
Silver Lake	106,984	0
Total alternative investment managers	14,054,751	2,666,106
Alpha pool managers		
Aetos	749,993	0
AQR	2,249,324	0
BGI	1,490,320	0
Bridgewater	2,130,504	0
PAAMCO	1,133,988	0
Total alpha pool managers	7,754,129	0
Other managers		
Brinson Partners - private equity	980	0
NISA- rebalancing	42,802	0
NISA - beta program	300,000	0
MOSERS Inc.	39	0
Total other managers	343,821	0
Grand totals	$ 48,743,557	$ 3,370,914

Public Equity Asset Class Summary

Public Equity Allocation



Highlights

As of June 30, 2005, the MOSERS public equity portfolio had a market value of $3.2 billion, representing 50.2% of the total fund. Performance for the fiscal year was 12.3% net of fees and expenses.

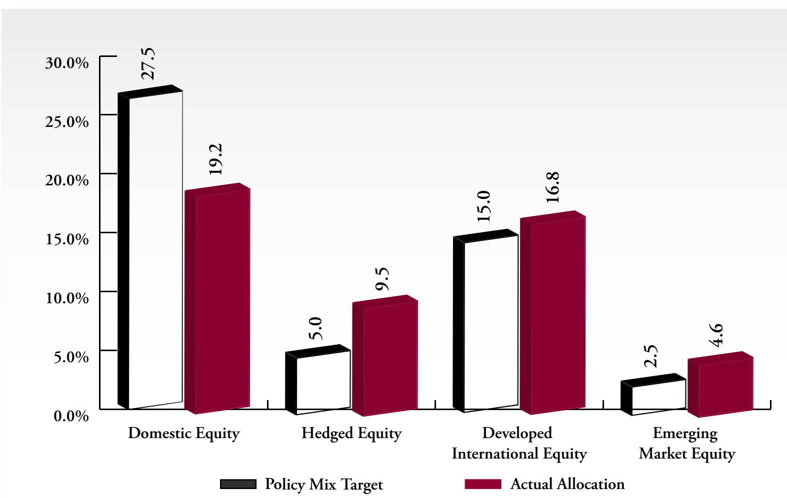
The public equity portfolio underwent some changes during the year. The main changes involved the introduction of the beta/alpha program. Here are a few of the highlights:

- The beta/alpha program was implemented as a risk reducing strategy in domestic equity and hedged equity (see page 99 for additional details).
- Two external managers were terminated. The assets these managers were responsible for were moved into the beta/alpha program.

Portfolio Structure

The public equity portfolio has a target allocation of 50.0% of the total fund as illustrated in the pie chart above. The portfolio is comprised of four sub-asset classes which include domestic equity, hedged equity, international developed equity, and emerging market equity. The bar chart below illustrates the actual sub-asset allocation relative to the board's policy allocation for each sub-asset class. Differences reflect the CIO's strategic decisions to overweight or underweight sub-asset classes as of June 30, 2005. These decisions are confined to pre-established ranges that have been set by the board. The table below the bar chart summarizes the sub-allocation ranges established by the board.

Public Equity Policy vs. Actual Allocation
(As a Percentage of the Total Fund)



Public Equity Strategic Sub-Asset Allocation Ranges
(As a Percentage of the Total Fund)

Sub-Asset Class	Minimum	Maximum	Policy Target
Domestic equity	15.0%	40.0%	27.5%
Hedged equity	0.0	10.0	5.0
Developed international equity	5.0	25.0	15.0
Emerging market equity	0.0	5.0	2.5

Market Overview

The equity markets in FY05 contributed positive returns for the second consecutive year. U.S. equities returned 8% for FY05. The developed international markets did even better with a 15% return, while emerging markets again led the pack with a return of 38%. As was the case in FY04, the performance in the first half of the year was greater than the second half.

The U.S. markets were positive in spite of several strong head winds. Energy costs soared during the year. Oil started the year at $37 per barrel and ended the year at $56 per barrel. During this year, the Federal Reserve raised short-term interest rates eight times. Rates began the year at 1.25% and ended the year at 3.25%. In spite of these headwinds, the Russell 3000 still managed a respectable 8% return. The strength of corporate earnings and the willingness of the U.S. consumer to continue to spend provided much of the impetus for the stock markets positive performance.

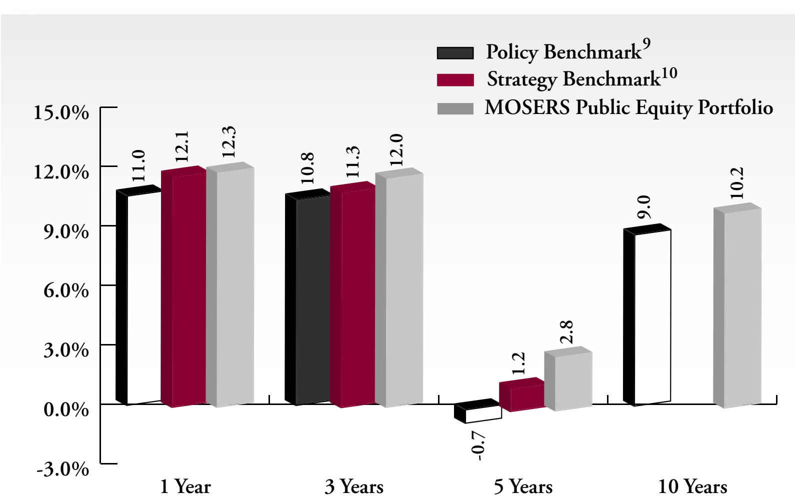
The international markets returned nearly 20% for the year. The developed markets were strong nearly across the board with Japan being the exception. Japan was slightly negative for the year although signs of improvement are being noted. The U.S. dollar strengthened slightly over the year; therefore, the currency impact on unhedged portfolios was negligible. The emerging markets were up 27% in local currency but the weakening dollar versus this index provided nearly 8% of additional return as unhedged dollar returns came in just below 35%.

Future returns from equities are uncertain. It appears that most markets are fundamentally overvalued. The impact of higher energy costs and rising interest rates on corporations and the consumer will be watched closely over the coming months. The threat of terrorism continues to be a wild card in the market outlook. The economy in China and the movement of the Chinese currency are increasingly important for the global economy.

Performance

The public equity portfolio returned 12.3% for the fiscal year, exceeding the policy benchmark return of 11.0% and the strategy benchmark return of 12.1%, as illustrated in the bar chart below. FY05 proved to be another strong year for the public equity markets, both domestic and international. The positive performance of the actual portfolio relative to the policy benchmark shows value added by staff and the external asset consultant through strategic decisions and manager selection decisions. The strategy benchmark is compared to the policy benchmark to capture the value added by strategic allocation decisions. In FY05, 1.0%, or approximately $32.5 million of value was added through strategic allocation decisions. The primary drivers were overweights to both developed non-U.S. and emerging markets with a corresponding underweight to U.S. equities. In order to capture the impact of manager selection decisions, the actual portfolio return is compared to the strategy benchmark. In FY05, manager selection decisions added 0.2% of performance, or approximately $6.5 million.

Public Equity Return vs. Benchmarks



9 As of 6/30/05, the public equity policy benchmark was comprised of the following components: 65% Russell 3000, 30% MSCI EAFE Net, and 5% MSCI EMF.

10 As of 6/30/05, the public equity strategy benchmark was comprised of the following components: 38.4% domestic equity strategy benchmark (comprised of the S&P 500, Russell 2500 Value, and Russell 3000), 19.0% Hedged Equity Strategy (40% of S&P 500 + 5%), 33.5% MSCI EAFE Net, and 9.1% MSCI EMF.

Public Equity Top 10 Holdings

The top 10 holdings within the public equity portfolio as of June 30, 2005 are illustrated below. A detailed listing of holdings is available upon request.

Ten Largest Holdings as of June 30, 2005	**Market Value**	**Percent of Total MOSERS Public Equity Portfolio**
Talisman Energy Inc.	$20,041,901	0.62%
McKesson Corp.	20,012,172	0.62
America Movil SA	19,587,846	0.60
General Electric Co.	18,745,650	0.58
Sepracor Inc.	15,062,510	0.46
Petroleo Brasileiro SA	14,486,927	0.45
Chiyoda Corp.	14,312,110	0.44
Time Warner Inc.	12,350,361	0.38
BAE Systems	12,265,115	0.38
Cisco Systems Inc.	11,848,680	0.37

Domestic Equity

Market Value

The domestic equity allocation was $ 1.2 billion, or 19.2% of the total fund as of June 30, 2005.

Summary of Portfolio

MOSERS maintains a significant allocation to publicly traded shares of corporations domiciled in the U.S. Domestic equity exposure is achieved through broadly diversified portfolios representing a variety of styles, sectors, and market capitalizations and an allocation to the beta/alpha program (see page 99 for further details). The domestic equity component is expected to contribute significantly to the fund's achievement of a long-term real return of 5% set by the board. We would expect this sub-class to perform well in periods of falling inflation and rising growth and offer income potential through dividend payments. As of June 30, 2005, MOSERS was underweight to the policy benchmark in this sub-asset class as valuations relative to the other sub-classes within public equity appear somewhat high. In addition, a large current account deficit is expected to put downward pressure on the U.S. dollar relative to our trading partners.

Statistics

The corresponding table displays the statistical performance data of the domestic equity portfolio as of June 30, 2005.

	1 Year	**3 Year**	**5 Year**	**10 Year**
Annualized return	7.7%	11.7%	2.5%	11.0%
Annualized standard deviation	11.5%	17.2%	17.9%	16.6%
Sharpe ratio	0.5	0.6	(0.0)	0.4
Beta*	1.2	1.2	1.1	1.0
Annualized alpha*	(0.5)%	0.1%	1.2%	0.7%
Correlation*	1.0	1.0	1.0	1.0

* As compared to the Russell 3000 Index

Investment Advisors

As of June 30, 2005, MOSERS had contracts with five external investment advisors who manage 51.8% of the domestic equity portfolio. The remaining 48.2% of the portfolio is in the beta/alpha program.

Investment Advisor	Style	Portfolio Market Value
AmeriCap Advisers, LLC	Active all-cap	$ 165,773,334
Capital Guardian Trust Company	Active all-cap	194,756,837
Dimensional Fund Advisors	Enhanced SMID-cap	104,955,711
Legg Mason Capital Management, Inc.	Active all-cap	176,678,411
Beta/alpha program	Enhanced index	597,709,382
Total		$ 1,239,873,675

In FY05, the beta/alpha program was initiated and two external managers were terminated within the domestic equity portfolio. The internal S&P 500 portfolio was also terminated during the fiscal year. Management fees for these managers can be found on page 72 of this report.

Brokerage Activity

The following brokerage activity occurred within the domestic equity portfolio throughout the fiscal year:

			Commissions	
Brokerage Firm	Shares Traded	Dollar Volume of Trades	Dollar Amount	Value Per Share
U.S. Clearing Institutional Trading	56,412,720	$ 687,381,118	$ 793,049	0.01
Instinet	9,305,646	204,796,559	161,642	0.02
Cantor Fitzgerald & co., Inc.	3,032,839	98,119,666	63,973	0.02
State Street Bank	16,651,135	579,526,769	60,064	0.00
Citigroup Global Markets Inc.	1,890,235	49,346,926	58,389	0.03
Bear Sterns & Co., Inc.	1,311,200	32,102,747	26,870	0.02
Merrill Lynch Pierce Fenner Smith Inc.	791,659	22,728,048	21,893	0.03
Thomas Weisel Partners	541,100	17,120,755	20,936	0.04
Goldman Sachs & Co.	587,500	25,061,621	20,350	0.03
UBS Securities, LLC	448,586	16,595,180	16,263	0.04
Credit Suisse	761,959	22,904,019	15,967	0.02
Lehman Brothers Inc.	375,000	16,117,398	13,297	0.04
JP Morgan Securities	349,900	15,271,370	12,431	0.04
Pershing, LLC	310,700	10,751,335	9,813	0.03
Investment Technologies Group	576,184	16,247,860	9,780	0.02
CIBC World Markets	241,200	2,060,225	9,391	0.04
Deutsche Bank Alex Brown Inc.	258,900	13,273,035	8,953	0.03
Weeden & Co.	180,185	3,295,969	8,945	0.05
Capital Institutional Services Inc.	162,500	4,784,404	8,623	0.05
Sanders Morris Mundy	215,800	8,331,841	8,370	0.04
Banc of America Securities, LLC	209,600	8,663,018	8,256	0.04
Pulse Trading, LLC	494,898	10,867,252	7,406	0.01
Knight Securities	166,280	5,105,539	7,276	0.04
Guzman & Co.	348,900	13,973,119	6,978	0.02
Nutmeg Securities	130,100	2,502,808	6,593	0.05
Jeffries & Co, Inc.	122,281	2,253,128	6,085	0.05
Heflin & Co., LLC	100,815	2,396,962	5,172	0.05
Bridge Trading Co.	90,700	1,965,172	4,822	0.05
Morgan Keegan & Co., Inc.	83,100	1,413,076	4,079	0.05
Prudential Equity Group	111,100	5,877,044	4,037	0.04
Raymond James & Associates Inc.	73,182	1,803,513	3,997	0.05
Leerink Swann & Co.	111,700	7,713,210	3,910	0.04
Fiedman Billings	74,200	1,501,583	3,710	0.05
Jones & Associates Inc.	70,000	1,348,777	3,701	0.05
Sustrust Capital Markets Inc.	61,202	2,411,733	3,470	0.06
Magna Securities Corp	143,200	2,806,795	3,346	0.02
Other (39 additional brokerage firms)	1,535,444	35,790,872	46,921	0.03
Total	98,331,650	$ 1,954,210,446	$ 1,478,758	

Soft Dollar Expenditures

In the fiscal year ended June 30, 2005, MOSERS' domestic equity managers declared $209,219 of the commissions generated were utilized to acquire a variety of services and research information. These expenditures, referred to as soft dollars (expendable excess commissions), are permitted under current SEC guidelines and represent less than 15% of MOSERS' agency commissions.

Types of Services Acquired	Commissions Used	Percetage of Total
Consulting/benchmarks	$ 373	0.2%
Trading/analytic systems	145,761	69.7
Research services	40,557	19.4
Portfolio management systems	9,239	4.4
Pricing services	3,234	1.5
Proxy services	402	0.2
Exchange fees	7,129	3.4
Transaction cost analysis	2,524	1.2
Market research	0	0.0
Total	$ 209,219	100.0%

Hedged Equity

Market Value

The hedged equity allocation was $616.1 million or 9.5% of the total fund as of June 30, 2005.

Summary of Portfolio

The hedged equity portfolio was added to the total fund in fiscal year 2003. Hedged equity managers utilized skill-based investment strategies, which allow them to take advantage of periodic inefficiencies that may exist within the market. Hedged equity managers seek to produce consistent returns in various economic environments. The ultimate goal of hedged equity within the public equity portfolio is to provide downside protection in slumping equity markets. MOSERS utilizes a fund-of-funds approach and an allocation to the beta/alpha program to gain exposure to this asset class. This sub-asset class targets about 40% of the U.S. equity market volatility which should help to cushion returns during periods of negative returns from stocks. In addition, this portfolio targets alpha of 5%. As of June 30, 2005, MOSERS' weight to this sub-asset class was near 10% (the maximum weight in its allowable range) and above the policy weight of 5%.

Statistics

The table below displays the statistical performance data of the hedged equity portfolio as of June 30, 2005.

	1 Year	Since Inception*
Annualized return	7.1%	9.0%
Annualized standard deviation	6.1%	4.7%
Sharpe ratio	0.8	1.6
Beta**	0.3	0.2
Annualized alpha **	(0.5)%	2.2%
Correlation**	0.8	0.7

* Inception date January 2003
** As compared to the S&P 500 Index

Investment Advisors

In FY05, the beta/alpha program was added to the hedged equity portfolio. The beta/alpha program and Blackstone Alternative Asset Management are the two investments in the hedged equity portfolio. The table below summarizes our investments with them as of June 30, 2005. Management fee information may be found on page 72 of this report.

Investment Advisor	Style	Portfolio Market Value
Blackstone Alternative Asset Management	Long/short equity	$ 365,402,848
Beta/alpha program	Enhanced index	250,666,759
Total		$ 616,069,607

International Developed Equity

Market Value

As of June 30, 2005, the international developed equity portfolio was $1,086.3 million, or 16.8% of the total fund.

Summary of Portfolio

MOSERS' international developed equity allocation allows for the participation in the growth of non-U.S. companies. Historically, this asset class has delivered returns at a premium relative to inflation, thus enhancing the total fund's ability to achieve the long-term real rate of return objective of 5%. It is anticipated that this sub-asset class will perform well in periods of falling inflation and periods of rising growth. In addition, this asset class provides diversification associated with holding non-dollar assets. As of June 30, 2005, MOSERS' allocation was overweight to the policy allocation target of 15% due, in large part, to a belief that the U.S. dollar has begun a secular decline which may result in non-dollar assets outperforming their U.S. counterparts.

Statistics

The table below displays the statistical performance data of the international developed equity portfolio as of June 30, 2005.

	1 Year	3 Year	5 Year	10 Year
Annualized return	14.5%	11.9%	3.9%	8.4%
Annualized standard deviation	10.5%	13.6%	13.5%	15.9%
Sharpe ratio	1.2	0.8	0.1	0.3
Beta*	0.9	0.9	0.8	0.8
Annualized alpha*	0.4%	0.2%	1.1%	1.7%
Correlation*	1.0	1.0	1.0	1.0

* As compared to the MSCI EAFE Index

Investment Advisors

As of June 30, 2005, MOSERS had contracts with three external investment advisors for the management of three international developed equity portfolios. Two of these advisors are managing active portfolios and are expected to add incremental returns over the MSCI EAFE index through stock selection, country selection, and small amounts of currency hedging. The third manager runs an enhanced index portfolio that is expected to add small amounts of return over the MSCI EAFE Index while matching country weights within the index.

The table at the top of the next page displays the firms that were under contract with MOSERS during FY05 for management of international developed equity portfolios. Information on management fees paid may be found on page 72 of this report.

Investment Advisor	Style	Portfolio Market Value
Mastholm Asset Management	Active growth	$ 475,513,066
Merrill Lynch Asset Management Group	Enhanced EAFE	96,910,155
Silchester International Investors	Active value	513,859,581
Total		$ 1,086,282,802

Brokerage Activity

The following brokerage activity occurred within the international developed equity portfolio throughout the fiscal year:

Brokerage Firm	Shares Traded	Dollar Volume of Trades	Dollar Amount	Basis Points
ABG Sundal Collier	3,642,600	$ 50,021,658	$ 99,929	0.20
Cantor Fitzgerald & Co.	2,820,200	61,329,395	70,373	0.11
Carnegie Bank	2,625,500	32,396,569	64,729	0.20
Credit Lyonnais	47,226,925	67,817,860	178,853	0.26
Credit Suisse	42,026,168	263,344,119	508,740	0.19
Deutsche Bank	3,294,340	31,579,394	55,711	0.18
Exane	3,034,200	64,352,170	126,415	0.20
G-Trade Services Ltd.	8,706,849	57,344,104	46,541	0.08
Harris Nesbitt Corp.	1,657,500	53,169,629	68,415	0.13
JP Morgan Securities	3,209,800	61,511,708	110,895	0.18
Mainfirst Bank	947,112	44,928,496	89,860	0.20
Merrill Lynch	61,309,034	322,313,746	583,883	0.18
Morgan Stanley & Co.	19,119,173	218,142,613	382,384	0.18
Neonet Securities Inc.	18,310,590	254,077,258	178,690	0.07
Nomura Securities Int'l Inc.	28,655,349	100,608,009	203,048	0.20
Sanford Bernstein & Co.	2,964,939	39,289,761	68,949	0.18
Societe Generale	1,423,880	52,451,036	104,305	0.20
UBS AG	19,493,762	257,175,359	447,597	0.17
Other (includes 17, each contributing less than 1%)	4,066,279	104,666,024	169,896	0.16
Total	274,534,200	$ 2,136,518,908	$ 3,559,213	

Soft Dollar Expenditures

In the fiscal year ended June 30, 2005, MOSERS' international developed equity managers declared $19,856 of the commissions generated were utilized to acquire a variety of services and research information. These expenditures, referred to as soft dollars (expendable excess commissions), are permitted under current SEC guidelines, and represent less than 1% of MOSERS' agency commissions.

Types of Services Acquired	Commissions Used	Percentage of Total
Pricing services	$ 2,650	13.35%
Research services	17,206	86.65
Total	$ 19,856	100.00%

Emerging Market Equity

Market Value
As of June 30, 2005, the emerging market equity portfolio was $300 million, or 4.6% of the total fund.

Summary of Portfolio
The emerging market equity allocation allows for the participation in the growth of companies in emerging economies across the globe. It is anticipated that this sub-asset class will perform well in periods of rising inflation, as these economies tend to be driven by commodity businesses. In addition, this asset class provides diversification associated with holding non-dollar assets and currently offers some of the best fundamental valuations available from equity markets around the globe. As of June 30, 2005, MOSERS' allocation was 4.6% of the total fund, nearly double the policy allocation target of 2.5%.

Statistics
The table below displays the statistical performance data of the emerging market equity portfolio as of June 30, 2005.

	1 Year	3 Year	5 Year	Since Inception*
Annualized return	37.6%	25.7%	9.1%	5.5%
Annualized standard deviation	10.5%	15.9%	20.4%	23.9%
Sharpe ratio	3.4	1.3	0.3	0.1
Beta**	0.6	0.9	0.9	1.0
Annualized alpha**	3.6%	1.1%	0.5%	0.9%
Correlation**	1.0	1.0	1.0	1.0

* Inception date August 1996
** As compared to the MSCI Emerging Markets Free Index

Investment Advisors
As of June 30, 2005, MOSERS had three emerging market equity managers. Throughout the fiscal year, one manager was terminated.

The table below displays the firms under contract with MOSERS during FY05 for the management of emerging market equity portfolios. Information regarding management fees may be found on page 72 of this report.

Investment Advisor	Style	Portfolio Market Value
Blakeney Management	Active emerging markets	$ 92,269,356
GMO, LLC	Active emerging markets	124,795,509
Merrill Lynch Quantitative Advisors	Enhanced MSCI Emerging Markets Free Index	83,005,335
Total		$ 300,070,200

Brokerage Activity

The table below summarizes brokerage activity which occurred within the emerging market equity portfolio throughout the fiscal year. Information in the table is strictly for the Merrill Lynch Emerging Markets Free portfolio.

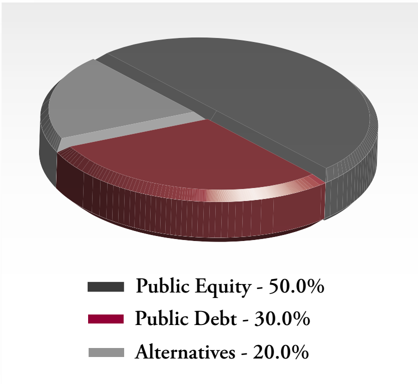
Brokerage Firm	Shares Traded	Dollar Volume of Trades	Dollar Amount	Basis Points
Agora	54,994,820	$ 2,716,754	$ 6,790	0.25
Banco Rio De La Plata	23,696	110,894	332	0.30
Banco Santander	361,018,151	14,237,457	35,111	0.25
Bankers Trust Co.	71,153	35,333	88	0.25
Chase Bank	256,936	2,542,325	9,570	0.38
Citibank	221,929	697,851	1,745	0.25
Deutsche Bank	2,020	260,502	52	0.02
Goldman Sachs & Co.	8,890	237,403	12	0.01
Instinet Corp.	36,700	7,483,814	734	0.01
JP Morgan	486,145,823	102,488,852	205,444	0.20
Lasker, Stone & Stern	7,098	167,577	355	0.21
Morgan Stanley & Co.	555,583	3,956,578	11,068	0.28
Societe Generale	60,601,366	3,543,560	8,999	0.25
Shenzhen Securities Central Clearing	179,800	93,319	463	0.50
UBS AG	407,400	229,158	237	0.10
Valores Santander	50,740	142,600	1,005	0.70
Total	964,582,105	$ 138,943,977	$ 282,005	

Soft Dollar Expenditures

There was no soft dollar activity within this sub-asset class within FY05.

Public Debt Asset Class Summary

Public Debt Allocation



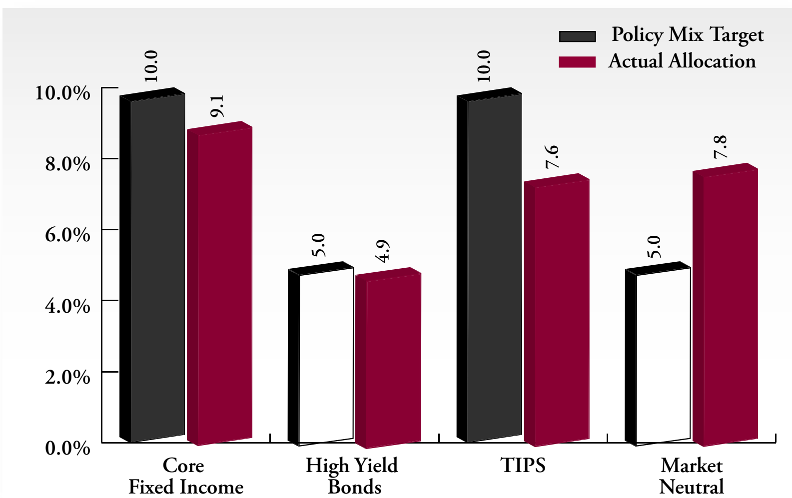
Highlights

As of June 30, 2005, the public debt allocation had a market value of $1.9 billion, representing 29.4% of the total fund.

Portfolio Structure

The public debt portfolio has a target allocation of 30.0% of the total fund as illustrated in the pie chart to the left. This portfolio is comprised of four sub-asset classes which include core fixed income, high yield bonds, Treasury Inflation Protected Securities (TIPS), and market neutral. The bar chart below illustrates the actual sub-asset allocations relative to the board's policy allocation for each of these sub-asset classes. Differences reflect the CIO's strategic decisions to overweight or underweight sub-asset classes as of June 30, 2005. These decisions are confined to pre-established ranges that have been set by the board. The table below the bar chart summarizes the sub-allocation ranges established by the board.

Public Debt Policy vs. Actual Allocation
(As a Percentage of the Total Fund)



Public Debt Strategic Sub-Asset Allocation Ranges
(As a Percentage of the Total Fund)

Sub-Asset Class	Minimum	Maximum	Policy Target
Core fixed income	5.0%	15.0%	10.0%
High yield bonds	0.0	10.0	5.0
TIPS	5.0	15.0	10.0
Market neutral	0.0	10.0	5.0

Market Overview

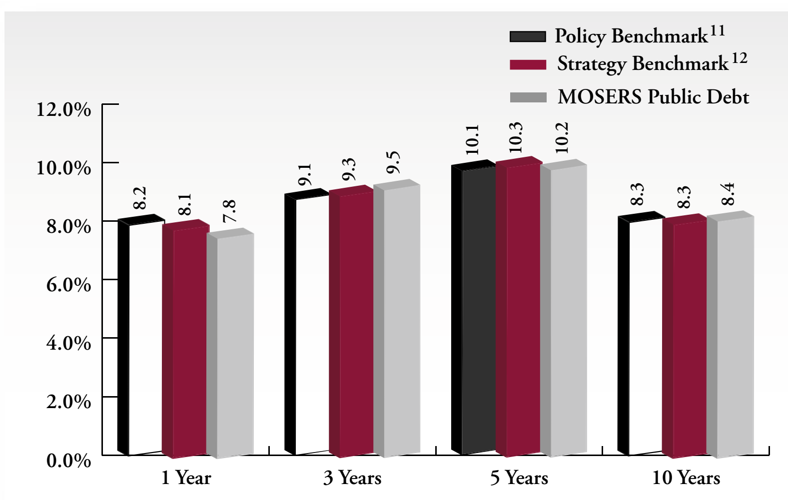
The bond market over the course of the fiscal year was characterized by a substantial tightening policy on the part of the Federal Reserve. During the fiscal year, the federal funds rate began at 1.25% and was adjusted by 25 basis point increases at each of the eight Federal Reserve meetings, ending the fiscal year at 3.25%. Long treasury rates, on the other hand, started the year at about 5.3% and ended the fiscal year at

approximately 4.2% which, in conjunction with rising short term rates, contributed to a much flatter yield curve and generally mixed signals as to the overall direction of interest rates. Federal Reserve tightening is generally accompanied by interest rates rising across the board; however, that was clearly not the case in FY05. While short rates escalated dramatically due to an aggressive effort by the Federal Reserve to maintain tight control over inflation, interest rates actually declined beyond the 5-year part of the yield curve. The longer the maturity, the greater the decline in rates. The change was particularly dramatic in 30-year maturities as evidenced by the 20 plus year U.S. Treasury index returning 21.1% for the fiscal year. The bifurcated interest rate changes can be attributed to confusion over future GDP growth with conventional wisdom being that rising short term rates, coupled with higher energy prices, were likely to choke off the consumer component of GDP. For that reason, bond investors continued to support long bonds in anticipation of weaker GDP and inflation being well contained. Another major factor supporting long bonds was the talk of possible legislation governing asset/liability mismatches in pension funds which, if enacted, would create enormous demand for long bonds.

The broad debt market as represented by the Lehman Aggregate Index experienced a gain of 6.8% for FY05. The investment grade corporate market returned an attractive 8.2% during the fiscal year while the high yield market reached double digits, returning 10.9%. While the credit markets were jolted temporarily in the spring due to the deteriorating auto sector's large impact on the indices, there was a strong rebound at the end of the fiscal year and the 12 month period was one of generally improving credit conditions and good performance. With a return of 6.3% for the S&P 500 Index, fixed income compared very favorably in contrast to an equity allocation.

Overall, the general theme for FY05 was that the economy is growing at a modest pace with some uncertainty as to the strength of the economy going forward with the Federal Reserve not yet into the ninth inning with regard to raising short-term rates. The U.S. Treasury is responding to the persistently low long-term rates and the growing demand for long-dated bonds with a new offering of 30-year bonds in the first quarter of 2006, a factor that may then dampen the downward trend in long rates and the yield curve flattening.

Public Debt Return vs. Benchmarks



Performance

The public debt portfolio returned 7.8% for the fiscal year, falling short of the policy benchmark return of 8.2% and the strategy benchmark return of 8.1%. During the fiscal year, underperformance to the policy benchmark was attributable primarily to a strategy overweight to market neutral and a strategic underweight to TIPS. Further underperformance came from the implementation of the core fixed income exposure due to a deliberate underweight of credit risk (due to significant credit risk in the high yield segment) in the early part of the fiscal year, significant portfolio restructuring for the beta/alpha program and a modest amount of manager underperformance in the mortgage backed/asset backed sector. Longer-term portfolio returns compare well to the policy and strategy benchmarks. The chart above illustrates performance over longer periods of time.

11 As of 6/30/05, the public debt policy benchmark was comprised of 33.3% Lehman Aggregate, 33.3% Lehman U.S. TIPS, 16.7% Lehman High Yield, 16.7% T-Bills + 4%.

12 As of 6/30/05, the public debt strategy benchmark was comprised of the following components; 30.9% Lehman Aggregate, 25.9% Lehman U.S. TIPS, 16.5% Lehman High Yield, and 26.7% T-Bills + 4%.

Top 10 Holdings

The top 10 holdings within the public debt portfolio as of June 30, 2005 are illustrated in the table below. A complete list of holdings within the public debt portfolio is available upon request.

Ten Largest Holdings as of June 30, 2005	Market Value	Percent of Total MOSERS Public Debt Portfolio
U.S. Treasury Inflation Index BD - 2.375%, '25	$129,818,705	6.8%
U.S. Treasury Inflation Indexed - 2.000%, '14	118,884,877	6.2
U.S. Treasury Inflation Index NT - 4.250%, '10	100,941,662	5.3
U.S. Treasury Inflation Index NT, 3.000%, '12	80,614,944	4.2
U.S. Treasury Inflation Index NT, 3.625%, '08	41,429,520	2.2
Federal Nat'l Mtge Assn Discount NT - Due 07/01/2005	20,698,476	1.1
Federal Nat'l Mtge Assn Sf Mtge - 5.000%, '20	14,557,507	0.8
U.S. Treasury Inflation Index BD - 3.875%, '29	13,488,054	0.7
Federal Home Ln Bks Cons BD - 2.500%, '06	11,889,480	0.6
Federal Home Ln Mtge Corp Gold Sfm - 5.000%, '35	10,200,000	0.5

Core Fixed Income

Market Value

The core fixed income allocation was $586.3 million as of June 30, 2005, or 9.1% of the total fund, slightly below its policy target of 10.0%.

Summary of Portfolio

The core fixed income sub-asset class gives the total fund exposure to high quality fixed income instruments which, in turn, provides stable cash flows and excellent liquidity to the portfolio. Types of fixed income securities held within this portfolio may include U.S. Treasuries, mortgage-backed securities, asset-backed securities, agency securities and investment grade corporate bonds. A notable addition to the core segment in this fiscal year was the implementation of the alpha/beta program (see beta/alpha program on page 99) with a view that the combination of these portfolios is a much more efficient means of achieving superior risk adjusted returns. While historically fixed income has not outperformed equities, the asset class does provide diversification to the portfolio in a variety of different economic scenarios. Core fixed income performs well particularly in periods of good economic growth and falling inflation. In addition, because of the generally high quality nature of this sub-asset class, one can also expect adequate performance from the core portfolio in periods of modestly falling growth and stable inflation.

Statistics

The table below displays statistical performance data for the core fixed income portfolio as of June 30, 2005.

	1 Year	3 Year	5 Year	10 Year
Annualized return	6.0%	5.5%	7.0%	6.8%
Annualized standard deviation	2.6%	4.5%	4.0%	4.1%
Sharpe ratio	1.5	0.9	1.2	0.7
Beta*	0.9	1.0	1.0	1.1
Annualized alpha*	(0.4)%	(0.4)%	(0.3)%	(0.3)%
Correlation*	1.0	1.0	1.0	1.0

* As compared to the MOSERS Core Bond Index

Investment Advisors

As of June 30, 2005, MOSERS had contracts with two external investment advisors for the management of two separate fixed income portfolios – one for mortgage-backed/asset-backed securities and one for government/corporate securities. Additionally, the core segment participates in the beta/alpha program as mentioned. In that program, beta and alpha are completely separated such that the beta exposure is gained through synthetic replication of the core components (also managed by our government/corporate manager) and the alpha is gained through the alpha program described in the later section.

The table below displays the investment advisors that were under contract with MOSERS during FY05 for management of core fixed income portfolios. Information regarding management fees paid to these managers may be found on page 72 of this report.

Investment Advisor	**Style**	**Portfolio Market Value**
BlackRock Financial Management, Inc.	Enhanced mortgage-backed and asset-backed securities index	$184,051,344
NISA Investment Advisors, LLC	Enhanced gov't/corp index	202,241,447
Beta/alpha program	Enhanced index	200,010,577
Total		$586,303,368

Brokerage Activity

In FY05, MOSERS generated the following core fixed income brokerage activity, ranked by percentage of total, through the purchase and sale of core fixed income assets.

Broker/Dealer Firm	**Par Amount Traded**	**Market Value Traded**	**Percent of Total Trading Volume by Market Value**
Goldman Sachs	$ 2,335,178,428	$ 2,354,136,961	19.9%
Citigroup	1,924,730,819	1,945,054,136	16.4
Morgan Stanley	1,337,208,179	1,348,456,400	11.4
Deutsche Morgan Grenfell	1,123,892,441	1,138,399,747	9.6
Lehman Brothers	1,014,737,586	1,019,746,092	8.6
UBS Securities	943,702,491	951,402,878	8.0
Banc of America	605,961,707	620,512,992	5.3
Credit Suisse	531,525,370	536,610,067	4.5
Barclay's Capital	494,746,522	499,523,850	4.2
Merrill Lynch	331,360,001	334,991,269	2.8
Bear Stearns	289,602,460	298,486,106	2.5
Greenwich Capital Markets	444,419,288	445,611,957	3.8
Other (includes 27, each contributing less than 2%)	340,295,785	349,222,467	3.0
Total	$ 11,717,361,077	$ 11,842,154,922	100.0%

High Yield Bonds

Market Value

The high yield bond allocation was $317.6 million as of June 30, 2005, or 4.9% of the total fund.

Summary of Portfolio

The high yield bond portfolio invests in debt securities whose credit ratings are below investment grade quality. Relative to the core fixed income portfolio, this sub-asset class provides superior coupon cash flow, as well as some diversification benefit due to a reduced sensitivity to changes in interest rates. MOSERS views this allocation as one that is likely to be changeable and very much dependent upon the particular stage of the economic cycle being experienced at the time of the allocation decision. As of June 30, 2005, MOSERS is slightly under the 5% policy target allocation to high yield bonds.

Statistics

The table below displays the statistical performance data for the high yield bond portfolio as of June 30, 2005.

	1 Year	**3 years**	**Since Inception***
Annualized return	11.1%	13.7%	12.4%
Annualized standard deviation	5.0%	5.9%	6.1%
Sharpe ratio	1.8	2.1	1.8
Beta**	1.0	0.8	0.7
Annualized alpha**	0.3%	1.6%	3.3%
Correlation**	1.0	1.0	1.0

* Inception date October 2001.

** As compared to the Lehman High Yield Bond Index

Investment Advisors

As of June 30, 2005, MOSERS had a contract with one external investment advisor for the management of the high yield bond portfolio. Information related to this manager is included in the table below. For information on management fees paid, see page 72 of this report.

Investment Advisor	**Style**	**Portfolio Market Value**
BlackRock Financial Management, Inc.	Active High Yield Bond	$317,582,492

Brokerage Activity

In FY05, MOSERS generated the following high yield bond brokerage activity, ranked by percentage of total, through the purchase and sale of high yield assets. Brokerage activity for FY05 is listed in the chart at the top of the following page.

Broker/Dealer Firm	Par Amount Traded	Market Value Traded	Percent of Total Trading Volume by Market Value
Credit Suisse	$ 118,274,819	$ 118,782,076	12.9%
Citigroup	98,360,481	99,664,927	10.8
J.P. Morgan Chase	90,690,056	91,673,766	9.9
Goldman Sachs	90,471,000	87,337,723	9.5
Lehman Brothers	62,870,000	63,623,134	6.9
Banc of America	64,010,000	60,665,770	6.6
Bear Stearns	57,897,000	57,668,170	6.2
Morgan Stanley	55,053,826	56,409,318	6.1
Deutsche Bank	56,410,000	55,864,071	6.0
UBS Securities	39,800,000	40,379,526	4.4
Merrill Lynch	36,675,918	37,085,622	4.0
Barclay's Capital	36,600,000	36,598,303	4.0
Wachovia Securities	23,735,000	23,506,509	2.5
Pershing	20,652,510	21,348,499	2.3
Other (includes 19, each contributing less than 2%)	72,194,114	73,661,268	7.9
Total	$ 923,694,724	$ 924,268,682	100.0%

Treasury Inflation Protected Securities (TIPS)

Market Value

The TIPS allocation was $491.3 million, or 7.6% of the total fund as of June 30, 2005.

Summary of Portfolio

TIPS are fixed income securities issued and guaranteed by the U.S. government. The yield on these securities is specifically tied to inflation, as measured by the U.S. consumer price index, plus a predetermined yield above and beyond inflation. The TIPS allocation provides an excellent match relative to the system's liabilities in terms of its ability to provide inflation protection. As of June 30, 2005, MOSERS is 2.4% under the 10.0% policy target allocation to TIPS which can be attributed, in part, to a strategic shift to an overweight policy target for the market neutral sub-class given a view that interest rates are more likely to go higher than lower. In that scenario, TIPS are likely to underperform relative to market neutral. Additionally, there is far greater alpha generating potential in market neutral.

Statistics

The table below displays the statistical performance data for the TIPS portfolio as of June 30, 2005.

	1 Year	3 Years	5 years	Since Inception*
Annualized return	9.9%	12.0%	12.5%	10.7%
Annualized standard deviation	3.3%	11.3%	9.6%	8.6%
Sharpe ratio	2.3	0.9	1.1	0.9
Beta**	1.0	1.0	1.0	1.0
Annualized alpha**	0.3%	0.2%	0.2%	0.1%
Correlation**	1.0	1.0	1.0	1.0

* Inception date November 1998

** As compared to the MOSERS TIPS Policy

Investment Advisors

As of June 30, 2005, the TIPS portfolio was 100% internally managed. The following table summarizes the details.

Investment Advisor	Style	Portfolio Market Value
Internal staff	Passive inflation-indexed bonds	$491,343,661

Brokerage Activity

In FY05, MOSERS generated the following TIPS brokerage activity ranked by percentage of total, through the purchase and sale of TIPS.

Broker/Dealer Firm	Par Amount Traded	Market Value Traded	Percent of Total Trading Volume by Market Value
Barclay's Capital	332,629,689	$344,317,316	59.8%
Deutsche Bank	73,800,000	85,555,631	14.9
Citigroup	53,215,824	59,017,028	10.3
J.P. Morgan Chase	50,925,807	58,405,535	10.1
Merrill Lynch	28,597,185	28,445,262	4.9
Total	539,168,505	$575,740,772	100.0%

Market Neutral

Market Value

As of June 30, 2005, the market neutral allocation was $508.0 million, or 7.8% of the total fund.

Summary of Portfolio

The market neutral portfolio consists of a variety of managers who utilize skill-based investment strategies, which allow them to take advantage of periodic inefficiencies that may exist within the market. The expectation for this sub-class is to produce consistent absolute returns in various economic environments. More directly, we expect this portfolio to generate returns of 4% in excess of returns on 90-day Treasury bills with similar to lower volatility than what we expect from the core fixed income portfolio. Market neutral investments also provide diversification and downside protection to the portfolio. MOSERS utilizes its beta/alpha program described on page 99 to gain exposure to this sub-asset class. This allows MOSERS to invest in an extremely diversified pool comprised of a variety of different types of strategies that provide additional risk protection and alpha that is uncorrelated to both the stock and the bond markets. As of June 30, 2005, MOSERS is 2.8% over the 5% policy target allocation to market neutral.

Statistics

The table below displays the statistical performance data for the market neutral portfolio as of June 30, 2005.

	1 Year	Since Inception*
Annualized return	3.0%	5.2%
Annualized standard deviation	2.4%	2.3%
Sharpe ratio	0.3	1.7

* Inception date December 2002.

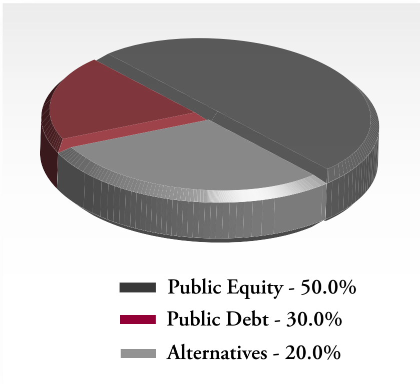
Investment Advisors

MOSERS' market neutral exposure is captured through the six managers comprising the alpha program which is detailed on page 100. Below is a table summarizing MOSERS' market neutral investment within this pool as of June 30, 2005. Information on manager fees paid can be found on page 72 of this report.

Investment Advisor	Style	Portfolio Market Value
Beta/alpha program	Market neutral	$508,038,099

Alternative Investments Asset Class Summary

Alternative Investments Allocation



Highlights

As of June 30, 2005, the alternative investments portfolio had a market value of $1.3 billion, representing 20.4% of the total fund. Performance for the fiscal year was 21.3% net of fees and expenses.

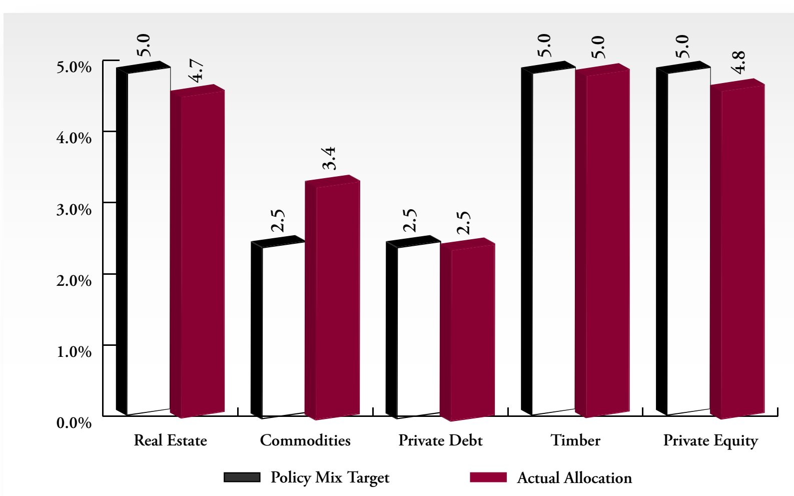
Several highlights occurred in the alternative investments portfolio last year. Here is a summary of the events:

- The timber allocation was increased from 3.9% to 5.0% in FY05 to reach the policy allocation target. A large portion of these assets reside in temporary accounts. They will be called by timber managers when investment properties are purchased. The third and final timber manager, Global Forest Partners, was hired last year to invest up to $150 million in international timber properties. The firm will be focused on forests in the southern hemisphere including Australia, New Zealand, and various countries in South America. During FY05, MOSERS made its first investment in timber in the southeast U.S. for approximately $50 million.
- MOSERS' overweight to commodities versus the neutral policy target contributed additional dollars to the total fund. The commodities account generated excellent returns and diversification benefits over the past 12 months. As crude oil climbed to record levels throughout the year, the high allocation to energy commodities within the GSCI portfolio directly translated into significant returns for our portfolio. As the world demand for commodities continues to outpace the supplies, we expect continued upward pressure on prices. In addition, the commodities allocation, while volatile in isolation, serves as complimentary hedge against event risk in the world economies.

Portfolio Structure

The alternative investments portfolio is 20% of the total fund as illustrated in the pie chart above. Within this broad allocation are five distinct strategies (herein also referred to as "sub-asset classes") which include real estate, commodities, private debt, timber, and private equity. Over the past year, new investments were made in real estate, private equity, and timber. Within the real estate, timber, and private equity categories, funds have also been invested in liquid alternatives. Those funds will be invested in their respective strategies only when the fund managers draw down capital. It is anticipated that achieving full investment in these categories will take several years due to the nature of these strategies.

Alternative Investments Policy vs. Actual Allocation
(As a Percentage of the Total Fund)



The bar chart to the left illustrates the board's policy allocation to the sub-asset class mix as of June 30, 2005. Strategic decisions to over or underweight allocations relative to the policy mix are reflected in this chart. The table following the bar chart summarizes the sub-asset class allocation ranges established by the board.

Sub-Asset Class	Minimum	Maximum	Policy Target
Real estate	2.5%	7.5%	5.0%
Commodities	0.0	5.0	2.5
Private debt	0.0	5.0	2.5
Timber	2.5	7.5	5.0
Private equity	2.5	7.5	5.0

Market Overview

The alternative investments allocation was added to the portfolio mix by the board in June of 2002, even though many of those strategies have been a part of the MOSERS portfolio for much longer. Alternative investments are expected to provide various benefits to the overall fund depending on the type of alternative. Some of these benefits include enhanced returns, diversification, and inflation and deflation hedging. For example, the real assets in the program are expected to provide a hedge against inflation and diversify the entire portfolio. In addition, many of the sub-asset classes such as private equity and private debt are expected to produce returns greater than those produced by the equity and fixed income markets. Due to meaningful cash flows, timberland and core real estate are expected to produce less volatile return streams than traditional assets; therefore, lowering the risk of the entire fund.

Despite the fact that the program is not fully implemented, returns produced by the existing alternative investment portfolio in FY05 were incredibly strong in nearly every sub-asset class. The strong returns can be attributed to a continued rally in the commodities markets, the success of the active real estate funds, and the persistent strength of REIT securities. Commodities continue to outperform many asset classes as the concerns related to the availability of future oil supplies, and the demand for non-energy commodities led to significant returns in this sub-asset class. A few large economies, including the U.S. and China, remain a significant source of demand for many commodities. MOSERS currently has an overweight to commodities versus the neutral policy target. Over the long-term, the commodities portfolio has exhibited a negative correlation to the equity markets, and is expected to provide a hedge against unexpected spikes in inflation.

The largest contributor to the alternative investment allocation return was the real estate portfolio. The REIT portion of the portfolio outperformed other developed public equity markets, and continued to produce a dividend yield near 5% which increases the demand for these securities. The equity real estate funds produced substantial returns over the past 12 months as the investment advisors took advantage of easy lending markets that continue to provide the low cost financing for opportunities around the world. The demand for real estate assets has led to inflated valuations in many sectors of the market which only adds to the profits of funds that have sold properties over the past year.

After a year of single digit returns for private debt in FY04, the returns of two funds in this sub-asset class provided strength to the overall allocation in FY05. Although default rates remained at very low levels over the past 12 months, which should lead generally to sub-par returns, deal specific successes in the MOSERS private debt portfolio led to outsized returns for our investment advisors.

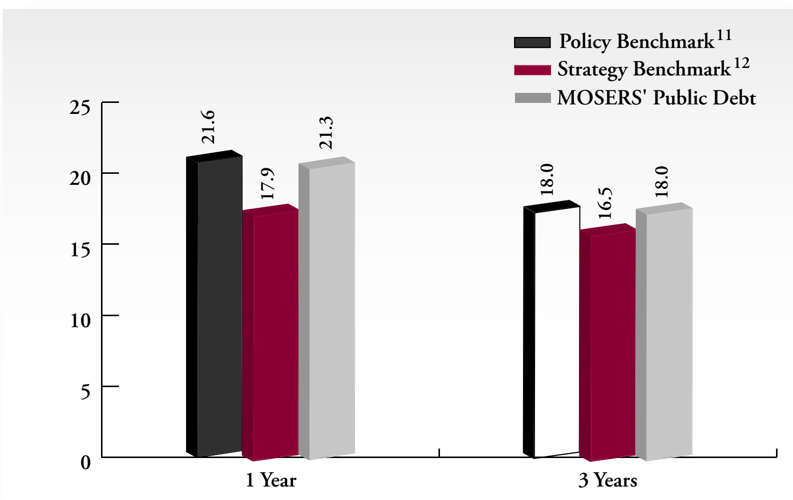
Similarly, the long maturity U.S. Treasury portfolio which has been held as a deflation hedge produced outstanding returns. These returns were driven by subsiding inflation fears and strong demand from liability based investors such as corporate pension funds. The U.S. Treasury portfolio continues to serve as a place holder in the timber allocation until such time as properties are identified for investment by our existing timber advisors. A diversified group of timber advisors have been retained although only one timber property has been funded at this point. The advisors continue their efforts to identify and purchase properties on our behalf. However, the popularity of this sub-asset class and the ever-increasing number of investors has led to a highly competitive market. It is our belief that the timber advisors will have success buying assets in the future since many of the large paper companies have announced the sale of their forests. This increase in supply should provide opportunities for buyers of timerland.

Finally, the private equity program is the only alternative investments sub-asset class to produce a return of less than 20% for the last fiscal year. This program is still in its infancy and returns of the fund managers reflect the J-curve effect which can be found in most private investment portfolios. Early in the life of a private equity fund, fees are paid as the advisors search for investment opportunities. As investments are made, capital is called to fund these companies and is not returned to the investor until the companies are sold later in the life of the fund. This outflow of capital, with a delayed return of the proceeds, leads to negative returns in the early years of such programs. Vintage year diversification will mitigate the J-curve effect, and MOSERS' investment in several private equity styles, including activist equity, has proved to lessen the effect in our portfolio. Private equity commitments to corporate buyout firms were initiated in 2004, and will continue to be made throughout the life of the program. MOSERS has made no venture capital commitments. We believe that the venture capital market fundamentals (an overhang of supply), combined with the inability of new investors in the space to access the best funds, makes this area relatively unattractive; therefore, we have not yet made commitments to these strategies.

Performance

MOSERS' alternative investments portfolio returned 21.3% for the fiscal year, falling shy of the 21.6% return for the policy benchmark. The portfolio outperformed the 17.9% return for the strategy benchmark as illustrated in the graph below.

Alternative Investments Return vs. Benchmarks



The underperformance can be explained solely by real estate's underperformance versus the policy benchmark. In the real estate sub-class, the decision made by the CIO to diversify the allocation by selling REITs in exchange for private real estate funds hurt the performance. REITs once again posted a strong return for the fiscal year which outpaced the returns of our private real estate investments. As interest rates remain low, investors that demand income purchased REITs and other high dividend yielding liquid securities further driving up prices and thus returns. However, it remains our view that we should be using these strong returns as an opportunity to sell these assets. As our private real estate advisors scour the marketplace for unique opportunities, it is our continued belief that they are buying cheaper real estate assets which should outperform REITs on a forward looking basis.

13 As of 6/30/05, the alternative investments policy benchmark was comprised of the following components: 25% Wilshire REIT, 25% actual return of the timber component, 25% actual return of the private equity component, 12.5% Lehman Brothers CCC + 2%, 12.5% GSCI (Goldman Sachs Commodity Index).

14 As of 6/30/05, the alternative investments strategy benchmark was comprised of the following components: 22.4% real estate strategy (composed of the Wilshire REIT, NCREIF - National Council of Real Estate Investment Fiduciaries, Mellon STIF Return, and Atlantic Asset Management MLP Natural Resources Index) 24.7% actual return of the timber component, 23.9% actual return of the private equity component, 12.1% Lehman Brothers CCC + 2%, 16.9% GSCI.

Real Estate

Market Value

The real estate allocation was $303.5 million, or 4.7% of the total fund as of June 30, 2005.

Summary of Portfolio

Investments in the real estate allocation may take the form of publicly-traded real estate investment trusts (REITs), equity real estate through closed-end funds, and other investments that exhibit the beneficial risk/return characteristics of real estate. Investments in real estate provide meaningful cash flows and may act as a hedge against inflation. Opportunistic real estate funds should provide returns in excess of those expected from the public equity markets due to the illiquidity of their investments and the inefficiencies in this market. Manager skill is expected to add value to the performance of these private partnerships. As of June 30, 2005, MOSERS had invested in REITs, closed-end opportunistic real estate funds, a closed-end mezzanine loan fund, a closed-end fund that purchases oil and gas assets, and publicly-traded Master Limited Partnerships (MLPs). A temporary holding account resides in the real estate allocation in order to invest the assets needed for funding the private portfolios when capital is called for investment. This placeholder account is invested in the internally managed short-term investment fund.

Statistics

The corresponding table displays the statistical performance data of the real estate portfolio as of June 30, 2005.

	1 Year	3 Year	Since Inception*
Annualized return	31.5%	17.0%	17.0%
Annualized standard deviation	8.8%	11.6%	11.6%
Sharpe ratio	3.3	1.3	1.3
Beta**	0.5	0.7	0.7
Annualized alpha**	12.4%	2.1%	2.1%
Correlation**	0.8	0.9	0.9

* Inception date July 2002

** As compared to the Wilshire REIT Index

Investment Advisors

During FY05, MOSERS committed assets to two new external investment advisors; Merit Energy Fund is an oil and gas fund focused on purchasing mature oil and gas properties and enhancing their production capabilities, and Bush O'Donnell MLP passive index account consists of publicly-traded securities that have income producing characteristics similar to those of REITs, yet add to the diversification of the real estate allocation. MLPs are partnerships that own energy-related infrastructure assets that trade on major stock exchanges. The table below summarizes MOSERS' real estate investment advisors throughout FY05.

Investment Advisor	Investment Style	Portfolio Market Value as of June 30, 2005
Blackstone Real Estate Advisors	Active real estate	$ 58,565,737
Bush O'Donnell Investment Advisors	Passive MLP index	51,211,883
Internal Staff*	Cash/short-term	11,676,366
Internal Staff	Passive REIT index	131,364,495
Merit Energy**	Oil & gas	0
Oaktree Capital Management	Active real estate	36,855,272
Trust Company of the West	Mezzanine debt	13,845,471
Total		$303,519,224

* Temporary placeholder for future capital drawdowns to fund real estate managers.

** New fund; no capital called as of June 30, 2005.

Brokerage Activity

The following brokerage activity occurred within the MLP portfolio and the internally managed REIT portfolio throughout the fiscal year.

			Commissions	
Brokerage Firm	**Shares Traded**	**Dollar Volume of Trades**	**Dollar Amount**	**Value Per Share**
Instinet	2,168,525	$ 74,112,125	$ 65,056	$0.03
A.G. Edwards & Sons	604,800	26,132,738	24,192	0.04
UBS Financial Services	580,900	24,136,466	23,236	0.04
Total	3,354,225	$124,381,329	$ 112,484	

Soft Dollar Expenditures

There were no soft dollars utilized within the REIT portfolio in the fiscal year ended June 30, 2005.

Commodities

Market Value

The commodities allocation was $217.2 million as of June 30, 2005, representing 3.4% of the total fund.

Summary of Portfolio

MOSERS gains exposure to commodities through an account managed by NISA Investment Advisors. The benchmark for this sub-class is the Goldman Sachs Commodities Index (GSCI). The commodities portfolio has provided exceptional diversification benefits to MOSERS, and continues to provide a hedge against unexpected inflation. Although volatile at times, the low/negative correlation of commodities to traditional asset classes provides protection to the total fund when financial assets experience periods of poor performance. As the record high energy and oil costs bestow a drag on consumers that could lead to a weaker economy and lower returns for financial assets, gains from these and other commodities are exhibited through the strong performance of the commodities allocation.

Statistics

The table below displays the performance data of the commodities portfolio as of June 30, 2005.

	1 Year	**3 Years**	**5 years**	**Since Inception***
Annualized return	22.8%	25.7%	12.0%	17.0%
Annualized standard deviation	24.3%	21.7%	22.1%	22.2%
Sharpe ratio	0.9	1.1	0.4	0.6
Beta**	1.0	1.0	1.0	1.0
Annualized alpha**	1.4%	1.4%	1.3%	1.2%
Correlation**	1.0	1.0	1.0	1.0

* Inception date November 1998

** As compared to the GSCI Index

Investment Advisors

MOSERS has had one manager in the commodities allocation since its inception in 1998.

Investment Advisor	**Investment Style**	**Portfolio Market Value as of June 30, 2005**
NISA Investment Advisors	Enhanced GSCI	$217,162,243

Private Debt

Market Value
The private debt allocation was $164.1 million, or 2.5% of the total fund as of June 30, 2005.

Summary of Portfolio
Private debt investments are expected to provide capital appreciation as funds are used to purchase debt securities to gain controlling interest in a company at a significant discount to fair value. The inefficiency of the private debt market, lack of participation in this sector, and the return premium expected due to the illiquid nature of this strategy are all factors that lead to the possibility of enhanced returns versus traditional assets. Participation as a limited partner in closed-end funds has been the method of implementation for this strategy. The fund managers typically buy undervalued debt securities and then pursue active strategies to change the credit profile of the company in an attempt to realize a gain on the investment. Over a full market cycle, returns in excess of public debt and, in particular, high yield debt are expected from private debt investments.

The portfolio's exposure of 2.5% to private debt securities is down slightly from last year's weight of 2.7%. Maintenance of a neutral weighting to the policy benchmark is reflective of a view that this sub-asset class is likely to continue generating good returns, although unlikely to be in the stellar category as was the case for FY05. The default rate for corporate debt is at historically low levels. Accordingly, some caution is appropriate in the likely event of defaults accelerating. In general, however, corporate credit quality is still strong, so a significant underweighting to private debt does not appear to be warranted at this time.

Statistics
The table below displays the performance data of the private debt portfolio as of June 30, 2005.

	1 Year	Since Inception*
Annualized return	24.1%	32.7%
Annualized standard deviation	7.3%	15.0%
Sharpe ratio	3.0	2.1
Beta**	0.7	1.0
Annualized alpha**	13.0%	2.9%
Correlation**	0.7	0.7

* Inception date September 2002

** As compared to the Lehman CCC+2%

Investment Advisors
During FY05, MOSERS was invested with four external private debt managers through closed-end limited partnerships. As of June 30, 2005, $221.3 million of the $250.0 million committed to these managers has been called and invested. Additionally, MOSERS has received approximately $187.4 million in distributions since the inception of the program. MOSERS' managers in this space are as reflected in the following table:

Investment Advisor	Investment Style	Portfolio Market Value as of June 30, 2005
DDJ Capital Management	Small-cap; control	$ 36,734,433
MHR Fund Management	Small-cap; control	29,095,304
Oaktree Capital Management	Large/mid-cap; trading/control	15,702,921
Wayzata Investment Partners	Mid/small-cap; trading/control	82,615,994
Total		$ 164,148,652

Timber

Market Value

The market value of assets currently being held in the timber allocation is $322 million, or 5% of the total fund. It should be noted that MOSERS has committed assets to three timber managers. To date, one of the managers has purchased a timber property for MOSERS' account. On a temporary basis, the remainder of the funds in the timber allocation are invested in highly liquid U.S. Treasury securities and a short-term investment fund. These assets will be drawn down for timber investments when the managers identify investment opportunities.

Summary of Portfolio

Although there is only one property held in the timber portfolio, the dollars committed to timber investments are being held in highly liquid securities. The choice to hold a portion of the timber allocation in long-dated U.S. Treasuries is a conscious decision to provide the fund some protection against the risk of deflation, which was a meaningful concern throughout most of FY04. In FY05, the investment advisors managing the long-dated U.S. Treasuries portfolio produced a return in excess of 27% due to their belief that the inflation fears throughout the market were unfounded.

The timber portfolio will be built over time through a diversified approach. MOSERS has committed assets to three timber investment management companies to purchase and manage timber in the northwest U.S., southeast U.S., and internationally (focused on the southern hemisphere). The international advisor was hired in FY05. The timber allocation will possess geographical, age, tree species, and timber market diversification. These factors have been carefully considered to mitigate risks within the timber portfolio. It is anticipated that it will take two to three years to fully invest the funds committed to this sub-asset class. Timber returns over a full market cycle are expected to be similar to those generated by the public equity markets, but should exhibit lower volatility. An allocation to timber also provides a hedge against inflation, additional cash flows, and diversification to the fund that will be beneficial when financial assets are experiencing poor performance.

Statistics

The table below displays the performance data of the timber portfolio as of June 30, 2005. Currently timber is benchmarked to itself; therefore, there is no benchmark correlation at this time.

	1 Year	**Since Inception***
Annualized return	22.6%	5.9%
Annualized standard deviation	7.1%	13.8%
Sharpe ratio	2.9	0.3

* Inception date June 2003

Investment Advisors

MOSERS committed assets to one timber investment manager during FY05 to purchase and manage timberland properties on the system's behalf. Global Forest Partners was retained to purchase and manage timber properties outside of the U.S. They will focus their efforts in the southern hemisphere, and will add diversification benefits to the timber allocation. However, only one timberland investment has been made thus far due to the relatively slow process of identifying, evaluating, and purchasing attractive timberland properties, and the increased competition to buy timber by institutional investors. While MOSERS waits for attractive timber opportunities, the funds that have been earmarked for deployment into timber are invested in U.S. Treasury securities and a short-term investment account. Information regarding the managers of these portfolios is shown in the table at the top of the following page.

Investment Advisor	Investment Style	Portfolio Market Value as of June 30, 2005
Global Forest Partners*	International Timber	$ 0
Hoisington Investment Management Co.**	Active Duration U.S. Treasury Securities	127,770,581
Internal Staff**	Active Duration U.S. Treasury Securities	62,697,526
Internal Staff**	Cash/short-term	76,622,792
Resource Management Service	Southeast U.S. Timber	54,906,025
The Campbell Group*	Northwest U.S. Timber	0
Total		$ 321,996,924

* New fund; no capital called as of June 30, 2005.
** Temporary placeholder for future capital drawdowns to fund timber managers.

Private Equity

Market Value

The market value of assets currently being held in the private equity allocation is $311.2 million, or 4.8% of the total fund.

Summary of Portfolio

In FY05, MOSERS made commitments to three private equity managers; however, roughly 55% of the funds in this allocation are still being held in accounts which serve as temporary placeholders until the assets are ready to be both committed and deployed to the private equity advisors. The private equity portfolio is expected to be invested over the next several years with ongoing investments to be made in order to maintain the target allocation.

Private equity investments may be allocated to three primary strategies: corporate buyouts, venture capital, and special situations/activist equity strategies. Each of these strategies has a different level of risk and expected return. Diversification and enhanced returns are the key benefits of the private equity portfolio. Currently, we have not committed capital to venture capital, as it is seen to have a less attractive risk/return profile than corporate buyouts and special situations. The private equity portfolio is expected to produce returns of 3% to 5% in excess of the public equity markets over a full market cycle.

Statistics

The table below displays the performance data for the private equity portfolio as of June 30, 2005. Currently private equity is benchmarked to itself; therefore, there is no benchmark correlation at this time.

	1 Year	Since Inception*
Annualized return	9.9%	11.4%
Annualized standard deviation	8.7%	7.1%
Sharpe ratio	0.9	1.4

* Inception date June 2003

Investment Advisors

While nearly half of the assets in this sub-asset class have been called for investments thus far, the remaining assets reside within temporary placeholder accounts for future private equity investments. Information regarding managers in this class is summarized in the table below.

Investment Advisor	Investment Style	Commitments	Portfolio Market Value as of June 30, 2005
Blackstone Alternative Asset Management*	Long/short equity	$ 0	$ 120,099,741
Blum Capital Partners	Activist equity	50,000,000	54,340,799
Bridgepoint Capital Partners**	Corporate buyout; foreign	30,000,000	0
Catterton Partners Management Co	Corporate buyout	30,000,000	13,147,271
Merrill Lynch Asset Management Group*	Enhanced EAFE	0	30,408,766
NISA Investment Advisors*	Equity futures	0	22,208,020
OCM/GFI Power Opportunities	Corporate buyout	30,000,000	3,617,736
Parish Capital Partners	Corp. buyout fund-of-funds	25,000,000	3,101,645
Relational Investors	Activist equity	50,000,000	61,889,772
Silver Lake Partners	Corporate buyout	30,000,000	2,425,529
Total		$245,000,000	$ 311,239,279

* Temporary placeholder for future capital drawdowns to fund private equity managers. There are no commitments for placeholders.

** New fund; no capital called as of June 30, 2005.

Beta/Alpha Program

The beta/alpha program consists of two parts, beta and alpha. This program began as a result of our belief that returns from these two components should be separated and managed separately.

The beta portion of the program is managed by NISA Investment Advisors. NISA uses futures and/or total return swaps to gain market exposure to various predefined asset classes.

The alpha program is a group of active managers with little or no systematic beta exposure. The objective of the alpha component is to provide a net of fees alpha return of 4% with similar to slightly higher volatility. This alpha can then be applied to various asset classes.

The combination of the two components produces an efficient total return and also provides MOSERS a great deal of flexibility in the management of the fund.

Beta Program

Market Value

The total notional exposure was $907.2 million as of June 30, 2005. The beta component contained total return swaps and futures as of June 30, 2005. MOSERS is utilizing the beta component within the domestic equity, hedged equity, and fixed income sub-asset classes.

Summary of Program

The beta component was added to the total fund in FY05. The beta manager seeks market exposure in the most cost efficient manner. The beta manager seeks to produce a market return gross of the financing cost to gain beta exposure. The manager's goal is to provide market exposure.

Statistics

The impact of the exposures is contained in the portfolios where the beta resides. Further information regarding swaps and futures can be found in the *Notes to the Financial Statements* on page 38.

Investment Advisors

NISA Investment Advisors is the only manager in the beta program. The table below summarizes our investments within the beta pool as of June 30, 2005. Management fee information may be found on page 72 of this report.

Investment Advisor	Style	Portfolio Market Value
NISA Investment Advisors	Synthetic beta exposure	$907,179,217

Alpha Program

Market Value

The alpha program allocation was $1,445.4 million or 22.3% of the total fund as of June 30, 2005.

Summary of Portfolio

The alpha program portfolio was added to the total fund in FY05. Alpha program managers utilize skill-based investment strategies which allow them to take advantage of periodic inefficiencies that may exist within the market. Alpha program managers seek to produce consistent returns in various economic environments. The ultimate goal within the alpha program is to provide consistent alpha with little correlation to other areas of the fund. MOSERS utilizes several different strategies within the alpha program including relative value, arbitrage, and event driven, to name a few. This portfolio targets the return of cash plus 4% net of fees over long periods of time.

Statistics

The table below displays the statistical performance data of the alpha program portfolio as of June 30, 2005.

	Since Inception*
Annualized return**	3.2%
Annualized standard deviation	2.4%
Sharpe ratio	0.6

* Inception date October 2004

** Returns for periods less than a year are not annualized.

Investment Advisors

The alpha program was started in FY05. BAAM, an existing manager, was transferred into the alpha program. The following five managers were hired and added to the pool: Aetos Capital, AQR Capital Management, Barclays Global Investors, Bridgewater Associates, and Pacific Alternative Asset Management. The table below summarizes our investments with the managers as of June 30, 2005. Management fee information may be found on page 72 of this report.

Investment Advisor	**Style**	**Portfolio Market Value**
Aetos Capital	Fund-of-funds	$ 142,579,897
AQR Capital Management	Multi-strategy hedge fund	158,520,322
Barclays Global Investors	Multi-strategy hedge fund	206,972,025
Blackstone Alternative Asset Management	Fund-of-funds	313,400,225
Bridgewater Associates	Multi-strategy hedge fund	96,369,373
PAAMCO	Fund-of-funds	300,035,822
Alpha program cash	Short-term cash	227,544,164
Total		$ 1,445,421,828

Securities Lending Summary

Summary of Program

In FY05, MOSERS earned net income of $3,251,139 through its securities lending programs. This incremental income contributed 5 basis points to MOSERS total fund and 14.6 basis points to MOSERS lendable assets. MOSERS lends its domestic equities, international equities, and domestic fixed income to a borrower that manages an agent lending program.

In an agent lending program, a large custodial bank or investment banking institution acts on behalf of the beneficial owner to lend its securities. This type of lending program is essentially a "one-stop shopping" process in which all operational aspects of the program are centered exclusively with one entity. The agent lender is responsible for making the loans to various broker-dealers, investing the cash collateral associated with the loaned securities, marking the loans and collateral to market on a daily basis, and indemnifying the lender against the default of a broker-dealer to whom they have loaned securities on behalf of the beneficial owner.

Domestic Equity

MOSERS generated total income from the domestic equity agent lending program of $648,218 in FY05. Revenue from this program was $465,926 less than FY04 stemming from a decrease in lendable assets and decreased collateral reinvestment income. Credit Suisse First Boston (CSFB) is the agent lender of MOSERS' securities for this program.

The table below highlights statistics for the last four fiscal years relating to the domestic equity securities lending program.

	Average Lendable	Average on Loan	Average Utilization	Return Added to Lendable Domestic Equities (basis points)	Net Income
FY05	$ 775,821,287	$ 247,175,198	31.9%	8.4	$ 648,218
FY04	1,552,186,713	176,626,818	11.4	7.2	1,114,144
FY03	1,420,413,446	234,776,497	16.5	10.6	1,504,152
FY02	2,347,223,937	254,035,429	10.8	8.6	2,027,903

International Equity

MOSERS generated total income from the International Equity securities lending program of $476,226 in FY05. The revenue earned changed very little due to no changes in the lendable international equity assets. Credit Suisse First Boston (CSFB) manages this program in an agent capacity.

The table below contains the international equity securities lending program statistics from FY02 through FY05.

	Average Lendable	Average on Loan	Average Utilization	Return Added to Lendable Domestic Equities (basis points)	Net Income
FY05	$360,790,809	$39,881,555	11.1%	13.2	$ 476,226
FY04	462,783,570	53,655,836	11.6	9.7	446,880
FY03	544,976,709	36,820,686	6.8	13.7	744,985
FY02	728,081,371	70,020,289	9.6	15.5	1,130,928

Domestic Fixed Income

MOSERS generated total income from the domestic fixed income securities lending program of $2,126,695 in FY05. Income from this program decreased due to a reduction in lendable treasury securities (attractive assets from a lending standpoint) and lower utilization of the fixed income assets caused a decrease in the cash collateral reinvestment income. CSFB manages this program in an agent capacity.

The table below presents the statistics for the domestic fixed income securities lending program for FY02 through FY05.

	Average Lendable	Average on Loan	Average Utilization	Return Added to Lendable Domestic Equities (basis points)	Net Income
FY05	$1,091,262,589	$ 776,038,981	71.1%	19.5	$ 2,126,695
FY04	1,231,730,491	1,043,891,521	84.7	20.1	2,475,630
FY03	969,156,824	757,537,477	78.2	17.6	1,707,400
FY02	899,565,271	720,912,307	80.1	19.5	1,750,764

Controlling
System Risk

Actuarial Section

Actuary's Certification Letter

GRS
GABRIEL, ROEDER, SMITH & COMPANY
Consultants & Actuaries

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October 17, 2005

The Board of Trustees
Missouri State Employees' Retirement System
907 Wildwood Drive
Jefferson City, Missouri 65109

Dear Board Members:

The basic financial objective of the Missouri State Employees' Retirement System (MOSERS) is to establish and receive contributions which:

(1) when expressed in terms of percents of active member payroll will remain approximately level from generation to generation of Missouri citizens, and which
(2) when combined with present assets and future investment return will be sufficient to meet the present and future financial obligations of MOSERS.

In order to measure progress toward this fundamental objective, MOSERS has annual actuarial valuations performed. The valuations (i) measure present financial position, and (ii) establish contribution rates that provide for the current cost and level percent of payroll amortization of unfunded actuarial accrued liabilities over a reasonable period. The latest completed actuarial valuations were based upon data and assumptions as of June 30, 2005. These valuations indicate that the contribution rates for the fiscal year ending June 30, 2007, adopted by the board of trustees for the benefits scheduled to be in effect on July 1, 2005, meet the basic financial objective. These contribution rates are 12.78% of payroll for 55,944 general state employees, including 59 administrative law judges, and 58.48% of payroll for 392 judges other than administrative law judges.

The actuarial valuations are based upon financial and participant data, which is prepared by retirement system staff, assumptions regarding future rates of investment return and inflation, and assumptions regarding rates of retirement, turnover, death, and disability among MOSERS' members and their beneficiaries. The data is reviewed by us for internal and year-to-year consistency as well as general reasonableness prior to its use in the actuarial valuations. It is also summarized and tabulated for the purpose of analyzing trends. The demographic assumptions were adopted by the board of trustees in January 2004 based upon recommendations made in an experience study covering the period from 1999-2003. The economic assumptions were adopted by the board of trustees in September 2001 and reaffirmed in January 2004. Assets were adjusted in the June 30, 2005 valuation to equal market value. The assumptions and methods utilized in this valuation, in our opinion, meet the parameters established by Governmental Accounting Standards Board Statement No. 25.

The current benefit structure is outlined in the Actuarial Section. The changes made since the previous valuation are highlighted on page 130. We provided the information used in the supporting schedules in the Actuarial Section and the *Schedules of Funding Progress* in the Financial Section, as well as the employer contribution rates shown in the *Schedule of Employer Contributions* in the Financial Section.

Based upon the valuation results, it is our opinion that the Missouri State Employees' Retirement System continues in sound financial condition in accordance with actuarial principles of level percent of payroll financing.

Respectfully submitted,

Norman L. Jones, F.S.A.
Senior Consultant & Actuary

Brad L. Armstrong, A.S.A.
Senior Consultant & Actuary

Summary of Actuarial Assumptions

June 30, 2005

Economic Assumptions

The investment return rate used in the valuations was 8.5% per year, compounded annually (net after investment expenses). This assumption is used to account for the fact that equal amounts of money payable at different points in time in the future do not have the same value presently.

Pay increase assumptions for individual active members are shown for sample ages on page 106. Part of the assumption for each age is for merit and/or seniority increase, and the other 4% recognizes wage inflation. This assumption is used to project a member's current salary to the salary upon which benefits will be based.

The active member payroll is assumed to increase 4% annually, which is the portion of the individual pay increase assumptions attributable to inflation.

The annual COLA is assumed to be 4% per year on a compounded basis when a minimum COLA of 4% is in effect and 2.8% per year on a compounded basis when no minimum COLA is in effect.

The number of active members in the MSEP is assumed to remain constant although certain new hires on or after July 1, 2002, will participate in the College and University Retirement Plan (CURP). The number of active members in the Judicial Plan is assumed to continue at the present number. Active and retired member data is reported as of May 31, 2005. It is assumed for valuation purposes that there is no turnover among members and no new entrants during the month of June.

Noneconomic Assumptions

The mortality table for post-retirement mortality used in evaluating allowances to be paid, was the 1971 Group Annuity Mortality Table projected to the year 2000 with a 1-year age setback for men and a 7-year age setback for women. Related values are shown on page 107. This assumption is used to measure the probabilities of each benefit payment being made after retirement.

The probabilities of age and service retirement are shown on page 108. It was assumed that each member will be granted one-half year of service credit for unused leave upon retirement and military service purchases.

The probabilities of withdrawal from service, death-in-service, and disability are shown for sample ages on page 106. For disability retirement, impaired longevity was recognized by use of special mortality tables.

The entry-age normal actuarial cost method of valuation was used in determining liabilities and normal cost. The normal cost was based on the benefit provisions affecting new employees (MSEP 2000). Differences in the past between assumed experience and actual experience (actuarial gains and losses) become part of actuarial accrued liabilities. Unfunded actuarial accrued liabilities are amortized to produce payments (principal and interest), which are a level percent of payroll contributions.

Employer contribution dollars were assumed to be paid in equal installments throughout the employer's fiscal year.

Valuation assets recognize assumed investment return fully each year. Differences between actual and assumed investment return are phased in over a closed 5-year period. Valuation assets are not permitted to deviate from the market value by more than 20%.

The data about persons now covered and about present assets was furnished by the system's administrative staff. Although examined for general reasonableness, the data was not audited by the actuary.

It is assumed that among active members, 80% are married at retirement, 70% of those dying in active service are married, and men are three years older than their spouses.

The liabilities for active members hired on or after July 1, 2000, were based on MSEP 2000 benefits. The liabilities for active members hired before July 1, 2000, were based on MSEP 2000 benefits for male general employees with an age at hire of 35 years or less, for female general employees, for contract employees, for elected officials, and for general assembly members. All others were based on MSEP benefits. The BackDROP was only explicitly valued for those assumed to receive MSEP 2000 benefits.

The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (MAAA).

Summary of Actuarial Assumptions

Separations From Active Employment Before Service Retirement and Individual Pay Increase Assumptions

June 30, 2005

MSEP

Sample Ages	Years of Service	Percent of Active Members Separating Within the Next Year: Withdrawal Men	Withdrawal Women	Death* Men	Death* Women	Disability Men	Disability Women	Pay Increase Assumptions for an Individual Employee: Merit and Seniority**	Base (Economy)	Increase Next Year
	0	23.8%	24.7%							
	1	16.5	17.2							
	2	13.4	13.5							
	3	11.9	10.7							
	4	12.0	10.7							
20	+5	12.0	11.0	.04%	.03%	.16%	.18%	2.7%	4.0%	6.7%
25		12.0	11.0	.05	.04	.16	.18	2.6	4.0	6.6
30		8.8	9.9	.06	.04	.16	.18	2.2	4.0	6.2
35		6.2	6.8	.08	.06	.21	.19	1.9	4.0	5.9
40		4.6	4.9	.12	.08	.26	.32	1.4	4.0	5.4
45		3.5	4.3	.19	.11	.34	.37	1.2	4.0	5.2
50		2.8	3.6	.35	.17	.49	.57	0.7	4.0	4.7
55		2.4	2.9	.59	.31	1.07	.89	0.7	4.0	4.7
60		2.4	2.9	.90	.54	1.50	1.50	0.0	4.0	4.0
65		2.4	2.9	1.44	.83	1.60	1.70	0.0	4.0	4.0

* 2% of the deaths in active service are assumed to be duty-related.
** Does not apply to members of the general assembly.

Judicial Plan

Sample Ages	Percent of Active Members Separating Within the Next Year: Withdrawal Men	Withdrawal Women	Death Men	Death Women	Disability Men	Disability Women	Pay Increase Assumptions for an Individual Employee: Merit and Seniority	Base (Economy)	Increase Next Year
25	6.2%	4.5%	.05%	.04%	.02%	.02%	1.6%	4.0%	5.6%
30	5.5	3.7	.06	.04	.03	.03	1.2	4.0	5.2
35	3.8	2.6	.08	.06	.03	.07	0.9	4.0	4.9
40	2.7	2.1	.12	.08	.04	.11	0.4	4.0	4.4
45	2.1	1.9	.19	.11	.09	.17	0.3	4.0	4.3
50	2.1	1.7	.35	.17	.12	.35	0.2	4.0	4.2
55	2.1	1.2	.59	.31	.23	.49	0.2	4.0	4.2
60	1.7	0.6	.90	.54	.33	.53	0.0	4.0	4.0
65	1.2	0.4	1.44	.83	.00	.00	0.0	4.0	4.0

Summary of Actuarial Assumptions

Single Life Retirement Values

June 30, 2005

All Plans

Sample Attained Ages	Present Value of $1/Month the First Year Increasing 4%/2.8% Yearly: Service Men	Service Women	Disability Men	Disability Women	Future Life Expectancy (Years): Service Men	Service Women	Disability Men	Disability Women
40	$ 203.29	$ 213.24	$ 135.93	$ 157.34	38.46	44.22	19.70	26.02
45	192.77	205.14	126.72	150.77	33.73	39.41	17.50	23.70
50	180.29	195.04	116.43	143.29	29.17	34.67	15.35	21.39
55	165.93	182.93	106.32	135.58	24.82	30.06	13.43	19.18
60	149.43	168.96	97.83	127.14	20.70	25.67	11.87	17.01
65	130.80	152.92	90.83	117.40	16.82	21.50	10.56	14.82
70	111.02	134.67	82.22	105.26	13.32	17.57	9.13	12.50
75	91.88	114.99	70.84	89.45	10.36	13.99	7.49	10.00
80	73.43	95.64	56.19	71.98	7.83	10.91	5.66	7.62
85	57.86	76.96	42.26	56.19	5.89	8.29	4.08	5.66

Summary of Actuarial Assumptions

Percent of Eligible Active Members Retiring Next Year

June 30, 2005

MSEP

Retirement Ages	Year of Eligibility 1st Year	2nd Year	3rd Year
48	20.0%	10.0%	8.0%
49	20.0	10.0	8.0
50	20.0	10.0	8.0
51	20.0	10.0	8.0
52	20.0	10.0	8.0
53	20.0	10.0	8.0
54	20.0	10.0	8.0
55	25.0	10.0	12.0
56	20.0	10.0	12.0
57	20.0	10.0	12.0
58	20.0	10.0	12.0
59	20.0	10.0	12.0
60	25.0	10.0	12.0
61	20.0	10.0	12.0
62	30.0	15.0	30.0
63	20.0	12.0	20.0
64	20.0	12.0	20.0
65	30.0	15.0	30.0
66	20.0	12.0	20.0
67	20.0	12.0	20.0
68	20.0	12.0	20.0
69	20.0	12.0	20.0
70	20.0	12.0	20.0
71	20.0	12.0	20.0
72	20.0	12.0	20.0
73	20.0	12.0	20.0
74	20.0	12.0	20.0
75 & over	20.0	12.0	100.0

Early retirement rates were assumed to be 5.0% from age 57-61.

Judicial Plan

Retirement Ages	Percent Men	Percent Women
55	5.0%	8.0%
56	5.0	8.0
57	5.0	8.0
58	5.0	8.0
59	5.0	8.0
60	15.0	15.0
61	10.0	10.0
62	15.0	15.0
63	10.0	10.0
64	10.0	10.0
65	25.0	40.0
66	20.0	25.0
67	20.0	25.0
68	20.0	25.0
69	30.0	50.0
70	100.0	100.0

Summary of Actuarial Assumptions

Miscellaneous and Technical Assumptions - June 30, 2005

Pay Increase Timing

Beginning of fiscal year.

Decrement Timing

Decrements of all types are assumed to occur mid-year.

Eligibility Testing

Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.

Benefit Service

Exact fractional service is used to determine the amount of benefit payable.

Decrement Relativity

Decrement rates are used directly from the experience study without adjustments for multiple decrement table effects.

Decrement Operation

Disability and mortality decrements do not operate during the first five years of service. Disability and withdrawal do not operate during normal retirement eligibility.

Normal Form of Benefit

The assumed normal form of benefit is the straight life form for the MSEP 2000 with 50% continuing to an eligible surviving spouse for the MSEP. No adjustment has been made for post-retirement option election changes.

Loads

No loads were used.

Incidence of Contributions

Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in the report and the actual payroll payable at the time contributions are made. New entrant normal cost contributions are applied to the funding of new entrant benefits.

Active and retired member data was reported as of May 31, 2005. It was brought forward to June 30, 2005 by adding one month of service for all active members and the June COLA for certain retired members. It is expected that this procedure resulted in a slight overstatement of total liabilities as of June 30, 2005. Financial information continues to be reported as of June 30. This procedure was instituted to provide sufficient time for the board of trustees to certify the appropriate contribution rate prior to the October 1 statutory deadline.

Summary of Member Data Included in Valuations

Pension Trust Funds - June 30, 2005

Active Members

			Group Averages		
Valuation Group	**Number**	**Payroll**	**Salary**	**Age (Yrs)**	**Service (Yrs)**
Missouri State Employees' Plan					
Regular state employees	51,615	$ 1,597,600,643	$ 30,952	43.9	9.9
Elected officials	6	576,564	96,094	46.4	5.8
Legislative clerks	67	1,898,036	28,329	55.3	15.7
Legislators	194	6,055,458	31,214	48.7	2.2
Uniformed water patrol	93	3,663,384	39,391	38.2	12.7
Conservation Department	1,532	58,866,972	38,425	42.7	12.7
School-term salaried employees	2,378	133,081,935	55,964	52.2	16.2
Administrative Law Judges	59	4,857,568	82,332	48.8	10.2
Total MSEP group	55,944	$ 1,806,600,560	32,293	44.2	10.2
Judicial Plan	392	$ 40,016,098	$102,082	54.1	11.8

Retired Members

			Group Averages	
Type of Benefit Payment	**Number**	**Annual Benefits**	**Benefit**	**Age (Yrs)**
Missouri State Employees' Plan				
Retirement	22,695	$322,844,040	$ 14,225	69.2
Disability	21	69,943	3,331	58.1
Survivor of active member	1,239	9,604,686	7,752	59.2
Survivor of retired member	1,825	15,572,681	8,533	73.7
Total MSEP group	25,780	$348,091,350	13,502	69.0
Judicial Plan	397	$ 18,832,103	$ 47,436	75.9

Others

Group	**Terminated Vested**	**Leave of Absence**	**Long-Term Disability**
Missouri State Employees' Plan	14,718	534	1,082
Judicial Plan	71	0	0

Active Member by Attained Age and Years in Service

June 30, 2005

MSEP

	Years of Service to Valuation Date							Totals	
Attained Age	0-4	5-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
15-19	40							40	$ 758,052
20-24	1,793	24						1,817	40,315,636
25-29	3,970	815	8					4,793	127,197,977
30-34	2,926	2,429	482	10				5,847	170,117,942
35-39	2,302	2,204	1,573	514	28			6,621	205,307,672
40-44	2,264	1,992	1,392	1,405	626	58		7,737	250,092,918
45-49	2,106	1,987	1,283	1,478	1,091	880	72	8,897	296,745,395
50-54	1,758	1,801	1,297	1,507	982	1,183	464	8,992	316,833,448
55-59	1,471	1,368	1,197	1,219	828	589	379	7,051	246,414,972
60	173	170	143	147	89	54	46	822	29,816,002
61	147	145	126	153	62	42	43	718	25,530,687
62	121	160	123	131	60	48	44	687	25,221,803
63	102	118	98	89	43	20	43	513	19,330,107
64	49	109	57	71	29	16	43	374	13,682,895
65	45	64	45	55	24	13	21	267	9,922,951
66	34	41	23	27	7	12	32	176	7,124,550
67	27	26	33	26	16	5	23	156	6,313,914
68	10	20	21	19	4	11	20	105	3,971,161
69	13	13	14	19	7	2	10	78	2,960,452
70 & Over	46	46	47	50	19	16	29	253	8,942,026
Totals	19,397	13,532	7,962	6,920	3,915	2,949	1,269	55,944	$ 1,806,600,560

Includes 59 administrative law judges and legal advisors.

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Group Averages:

Age	44.2 years
Service	10.2 years
Annual Pay	$32,293

Active Member by Attained Age and Years in Service

June 30, 2005

Judicial Plan

	Years of Service to Valuation Date							Totals	
Attained Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30 Plus**	**No.**	**Valuation Payroll**
35-39	13	2						15	$ 1,440,000
40-44	14	5	4					23	2,237,000
45-49	14	29	10	3				56	5,711,943
50-54	20	25	34	10	7	6		102	10,460,095
55-59	18	23	24	16	9	11	4	105	10,705,263
60	2	1	7	2	5	3		20	2,109,799
61	1	1	7	5				14	1,404,000
62	1	1	2		1	1		6	612,000
63	1	3	3	4	2			13	1,334,000
64		3	4	2	4	1		14	1,458,999
65		2	2		1	2	2	9	943,000
66	1		1		1		1	4	414,999
67			2	3				5	535,000
68	1			1	1		1	4	427,000
69						1		1	115,000
70 & Over			1					1	108,000
Totals	86	95	101	46	31	25	8	392	$40,016,098

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Group Averages:

Age	54.1 years
Service	11.8 years
Annual Pay	$102,082

Schedules of Active Member Valuation Data

Six Years Ended June 30, 2005

MSEP

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase in Average Pay
June 30, 2000	57,774	$ 1,683,697,080	$ 29,143	4.61%
June 30, 2001	58,431	1,758,190,268	30,090	3.25
June 30, 2002	58,616	1,773,283,484	30,253	0.54
June 30, 2003	57,558	1,739,895,364	30,229	(0.08)
June 30, 2004	55,914	1,737,454,454	31,074	2.80
June 30, 2005	55,944	1,806,600,560	32,293	3.92

ALJLAP*

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase in Average Pay
June 30, 2000	52	$4,072,888	$78,325	5.52%
June 30, 2001	57	4,661,020	81,772	4.40
June 30, 2002	58	4,779,504	82,405	0.77
June 30, 2003	57	4,657,896	81,717	(0.83)
June 30, 2004	57	4,655,340	81,673	(0.05)

* Transferred to the MSEP during the year ended 6/30/2005

Judicial Plan

Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase in Average Pay
June 30, 2000	375	$37,107,487	$98,953	6.01%
June 30, 2001	381	38,687,793	101,543	2.62
June 30, 2002	392	40,068,744	102,216	0.66
June 30, 2003	392	40,052,952	102,176	(0.04)
June 30, 2004	391	39,878,499	101,991	(0.18)
June 30, 2005	392	40,016,098	102,082	0.09

Retirees and Beneficiaries Added and Removed

Six Years Ended June 30, 2005

MSEP

Fiscal Year Ended	Classification	Benefit Type	Added to Rolls Number	Added to Rolls Annual Allowances
June 30, 2000	General Employee	Retirement	1,337	$ 20,272,214
		Survivor of active	86	1,020,432
		Survivor of retired	416	2,481,786
		Disability	1	8,081
		Occupational disability	0	0
	Lincoln University - Vested	Retirement	1	5,860
		Survivor of active	0	0
	Legislators	Retirement	8	204,076
		Survivor of active	0	2,157
		Survivor of retired	3	36,026
	Elected Officials	Retirement	0	6,821
		Survivor of active	0	0
		Survivor of retired	0	895
	Administrative Law Judges and Legal Advisors	Retirement	0	23,908
		Survivor of active	0	698
		Survivor of retired	1	25,475
June 30, 2001	General Employee	Retirement	2,580	55,234,780
		Survivor of active	84	814,517
		Survivor of retired	197	1,832,029
		Disability	0	3,518
		Occupational disability	0	0
	Lincoln University - Vested	Retirement	1	1,841
		Survivor of active	0	0
	Legislators	Retirement	14	436,356
		Survivor of active	0	2,468
		Survivor of retired	7	89,399
	Elected Officials	Retirement	6	230,136
		Survivor of active	1	56,938
		Survivor of retired	0	931
	Administrative Law Judges and Legal Advisors	Retirement	1	57,621
		Survivor of active	0	0
		Survivor of retired	1	25,674
June 30, 2002	General Employee	Retirement	1,840	32,360,047
		Survivor of active	84	842,611
		Survivor of retired	209	1,805,486
		Disability	0	3,474
		Occupational disability	0	0
	Lincoln University - Vested	Retirement	2	6,061
		Survivor of active	0	0
	Legislators	Retirement	8	238,058
		Survivor of active	1	6,950
		Survivor of retired	4	59,947
	Elected Officials	Retirement	0	304
		Survivor of active	0	2,277
		Survivor of retired	0	968
	Administrative Law Judges and Legal Advisors	Retirement	1	67,877
		Survivor of active	0	0
		Survivor of retired	0	5,582

Removed From Rolls		Rolls at End of Year				
Number	Annual Allowances	Number	Annual Allowances	Percentage Increase in Annual Allowances	Average Annual Allowance	Percentage Increase in Average Annual Allowance
649	$ 5,324,814	15,865	$ 160,784,006	10.25%	$ 10,135	5.47%
37	110,049	983	5,916,637	18.18	6,019	12.29
47	294,927	1,184	7,614,995	40.29	6,432	(3.42)
8	43,141	52	190,352	(15.55)	3,661	(4.19)
0	0	1	17,448	0.00	17,448	0.00
0	0	7	37,003	18.82	5,286	1.83
0	0	1	2,624	0.00	2,624	0.00
3	95,126	166	2,947,721	3.84	17,757	0.71
0	0	8	70,036	3.18	8,755	3.18
0	0	30	233,414	18.25	7,780	6.41
0	0	3	143,267	5.00	47,756	5.00
0	0	0	0	0.00	0	0.00
0	0	1	23,268	4.00	23,268	4.00
1	42,874	16	621,603	(2.96)	38,850	3.10
1	18,148	0	0	(100.00)	0	(100.00)
0	0	7	126,435	25.23	18,062	7.34
670	5,935,443	17,775	210,083,343	30.66	11,819	16.62
27	173,754	1,040	6,557,400	10.83	6,305	4.75
67	328,785	1,314	9,118,239	19.74	6,939	7.88
14	55,684	38	138,186	(27.41)	3,636	(0.68)
0	0	1	17,448	0.00	17,448	0.00
0	0	8	38,844	4.98	4,856	(8.13)
0	0	1	2,624	0.00	2,624	0.00
9	156,423	171	3,227,654	9.50	18,875	6.30
0	0	8	72,504	3.52	9,063	3.52
1	11,056	36	311,757	33.56	8,660	11.31
0	0	9	373,403	160.63	41,489	(13.12)
0	0	1	56,938	0.00	56,938	0.00
0	0	1	24,199	4.00	24,199	4.00
1	39,647	16	639,577	2.89	39,974	2.89
0	0	0	0	0.00	0	0.00
0	0	8	152,109	20.31	19,014	5.27
685	6,249,943	18,930	236,193,447	12.43	12,477	5.57
30	137,619	1,094	7,262,392	10.75	6,638	5.28
67	378,545	1,456	10,545,180	15.65	7,243	4.38
7	32,754	31	108,906	(21.19)	3,513	(3.38)
0	0	1	17,448	0.00	17,448	0.00
0	0	10	44,905	15.60	4,491	(7.52)
0	0	1	2,624	0.00	2,624	0.00
4	80,340	175	3,385,372	4.89	19,345	2.49
0	0	9	79,454	9.59	8,828	(2.59)
1	4,195	39	367,509	17.88	9,423	8.81
0	0	9	373,707	0.08	41,523	0.08
0	0	1	59,215	4.00	59,215	4.00
0	0	1	25,167	4.00	25,167	4.00
1	46,580	16	660,874	3.33	41,305	3.33
0	0	0	0	0.00	0	0.00
0	0	8	157,691	3.67	19,711	3.67

MSEP continued on pages 116-117.

Retirees and Beneficiaries Added and Removed
Six Years Ended June 30, 2005

MSEP continued from pages 114-115

MSEP

Added to Rolls

Fiscal Year Ended	Classification	Benefit Type	Number	Annual Allowances
June 30, 2003	General Employee	Retirement	1,819	$ 33,654,082
		Survivor of active	76	808,507
		Survivor of retired	206	1,944,744
		Disability	0	2,109
		Occupational disability	0	0
	Lincoln University - Vested	Retirement	0	0
		Survivor of active	0	0
	Legislators	Retirement	45	880,632
		Survivor of active	1	27,031
		Survivor of retired	4	65,987
	Elected Officials	Retirement	0	(13,546)
		Survivor of active	0	2,369
		Survivor of retired	0	1,007
	Administrative Law Judges and Legal Advisors	Retirement	3	166,161
		Survivor of active	0	0
		Survivor of retired	0	5,601
June 30, 2004	General Employee	Retirement	2,454	42,366,392
		Survivor of active	91	926,617
		Survivor of retired	171	1,965,930
		Disability	1	6,657
		Occupational disability	0	0
	Lincoln University - Vested	Retirement	0	0
		Survivor of active	0	0
	Legislators	Retirement	10	182,124
		Survivor of active	1	16,311
		Survivor of retired	3	73,196
	Elected Officials	Retirement	0	0
		Survivor of active	0	2,464
		Survivor of retired	0	1,045
	Administrative Law Judges and Legal Advisors	Retirement	1	62,331
		Survivor of active	0	0
		Survivor of retired	2	58,362
June 30, 2005	General Employee	Retirement	1,719	27,796,807
		Survivor of active	78	891,051
		Survivor of retired	206	2,036,085
		Disability	0	1,409
		Occupational disability	0	0
	Lincoln University - Vested	Retirement	1	3,086
		Survivor of active	0	0
	Legislators	Retirement	31	606,743
		Survivor of active	2	15,361
		Survivor of retired	3	47,695
	Elected Officials	Retirement	2	92,916
		Survivor of active	0	2,562
		Survivor of retired	0	1,089
	Administrative Law Judges and Legal Advisors	Retirement	4	203,829
		Survivor of active	0	0
		Survivor of retired	0	4,987

Removed From Rolls		Rolls at End of Year				
Number	Annual Allowances	Number	Annual Allowances	Percentage Increase in Annual Allowances	Average Annual Allowance	Percentage Increase in Average Annual Allowance
734	$ 6,798,563	20,015	$ 263,048,966	11.37%	$ 13,143	5.34%
28	97,740	1,142	7,973,159	9.79	6,982	5.18
71	368,959	1,591	12,120,965	14.94	7,618	5.18
3	15,849	28	95,166	(12.62)	3,399	(3.25)
0	0	1	17,448	0.00	17,448	0.00
1	1,051	9	43,854	(2.34)	4,873	8.51
0	0	1	2,624	0.00	2,624	0.00
4	71,803	216	4,194,201	23.89	19,418	0.38
0	0	10	106,485	34.02	10,649	20.63
3	20,943	40	412,553	12.26	10,314	9.46
0	0	9	360,161	(3.62)	40,018	(3.62)
0	0	1	61,584	4.00	61,584	4.00
0	0	1	26,174	4.00	26,174	4.00
0	0	19	827,035	25.14	43,528	5.38
0	0	0	0	0.00	0	0.00
0	0	8	163,292	3.55	20,412	3.56
733	7,302,918	21,736	298,112,440	13.33	13,715	4.35
38	197,250	1,195	8,702,526	9.15	7,282	4.30
96	623,128	1,666	13,463,767	11.08	8,081	6.08
5	21,761	24	80,062	(15.87)	3,336	(1.85)
0	0	1	17,448	0.00	17,448	0.00
0	0	9	43,854	0.00	4,873	0.00
0	0	1	2,624	0.00	2,624	0.00
5	116,367	221	4,259,958	1.57	19,276	(0.73)
0	0	11	122,796	15.32	11,163	4.83
1	20,633	42	465,116	12.74	11,074	7.37
0	0	9	360,161	0.00	40,018	0.00
0	0	1	64,048	4.00	64,048	4.00
0	0	1	27,219	3.99	27,219	3.99
3	152,311	17	737,055	(10.88)	43,356	(0.40)
0	0	0	0	0.00	0	0.00
2	48,306	8	173,348	6.16	21,669	6.16
737	6,879,542	22,718	319,029,705	7.02	14,043	2.39
47	227,380	1,226	9,366,198	7.63	7,640	4.91
92	632,735	1,780	14,867,117	10.42	8,352	3.36
3	12,123	21	69,348	(13.38)	3,302	(1.01)
1	17,448	0	0	(100.00)	0	(100.00)
0	0	10	46,940	7.04	4,694	(3.67)
0	0	1	2,624	0.00	2,624	0.00
14	274,590	238	4,592,111	7.80	19,295	0.10
0	0	13	138,157	12.51	10,627	(4.80)
1	4,156	44	508,655	9.36	11,560	4.39
0	0	11	453,077	25.80	41,189	2.93
0	0	1	66,610	4.00	66,610	4.00
0	0	1	28,308	4.00	28,308	4.00
0	0	21	940,884	27.65	44,804	3.34
0	0	0	0	0.00	0	0.00
0	0	8	178,335	2.88	22,292	2.87

Retirees and Beneficiaries Added and Removed

Six Years Ended June 30, 2005

Judicial Plan

		Added to Rolls		Removed From Rolls	
Fiscal Year Ended	**Benefit Type**	**Number**	**Annual Allowances**	**Number**	**Annual Allowances**
June 30, 2000	Retirement	18	$ 1,343,591	11	$ 535,292
	Survivor of active	2	76,496	1	6,813
	Survivor of retired	10	295,547	7	93,502
	Disability	1	46,500	0	0
June 30, 2001	Retirement	25	2,241,337	8	354,861
	Survivor of active	2	83,627	2	34,642
	Survivor of retired	1	76,395	4	42,983
	Disability	0	1,500	0	0
June 30, 2002	Retirement	11	984,612	9	455,021
	Survivor of active	1	57,051	1	28,541
	Survivor of retired	5	195,971	5	84,932
	Disability	0	0	1	48,000
June 30, 2003	Retirement	23	1,445,716	10	560,588
	Survivor of active	0	34,820	0	0
	Survivor of retired	6	214,029	7	101,944
	Disability	0	0	0	0
June 30, 2004	Retirement	12	1,076,421	11	652,803
	Survivor of active	0	36,471	2	56,802
	Survivor of retired	7	269,344	4	86,633
	Disability	0	0	0	0
June 30, 2005	Retirement	12	1,159,324	8	402,329
	Survivor of active	0	35,224	1	14,247
	Survivor of retired	6	211,269	6	75,799
	Disability	0	0	0	0

Rolls at End of Year				
Number	Annual Allowances	Percentage Increase in Annual Allowances	Average Annual Allowance	Percentage Increase in Average Annual Allowance
238	$ 11,366,653	7.66%	$ 47,759	4.49%
44	826,411	9.21	18,782	6.73
83	1,428,313	16.48	17,209	12.27
1	46,500	100.00	46,500	100.00
255	13,253,129	16.60	51,973	8.82
44	875,396	5.93	19,895	5.93
80	1,461,725	2.34	18,272	6.18
1	48,000	3.23	48,000	3.23
257	13,782,720	4.00	53,629	3.19
44	903,906	3.26	20,543	3.26
80	1,572,764	7.60	19,660	7.60
0	0	(100.00)	0	(100.00)
270	14,667,848	6.42	54,325	1.30
44	938,726	3.85	21,335	3.86
79	1,684,849	7.13	21,327	8.48
0	0	0.00	0	0.00
271	15,091,466	2.89	55,688	2.51
42	918,395	(2.17)	21,867	2.49
82	1,867,560	10.84	22,775	6.79
0	0	0.00	0	0.00
275	15,848,461	5.02	57,631	3.49
41	939,372	2.28	22,912	4.78
82	2,003,031	7.25	24,427	7.25
0	0	0.00	0	0.00

Short-Term Solvency Test

Pension Trust Funds - Ten Years Ended June 30, 2005

MSEP

	Actuarial Accrued Liabilities for						
Fiscal Year	Member Contributions (1)	Retirees and Beneficiaries (2)	Members, Employer Financed Portion (3)	Actuarial Value of Assets Available for Benefits	Percentage of Actuarial Liabilities Coverage by Assets Available for (1)	(2)	(3)
1996	$ 448,559	$ 1,156,347,608	$ 2,283,330,316	$ 2,927,896,643	100.0%	100.0%	77.6%
1997	448,501	1,552,966,747	2,930,632,553	3,580,974,502	100.0	100.0	69.2
1998	447,716	1,688,502,950	3,229,936,517	4,210,635,094	100.0	100.0	78.1
1999	0	1,970,504,367	3,535,464,262	4,908,820,033	100.0	100.0	83.1
2000	0	2,142,487,495	3,778,196,697	5,511,714,616	100.0	100.0	89.2
2001	0	2,496,277,500	3,568,889,216	5,881,232,850	100.0	100.0	94.8
2002	0	2,716,457,033	3,577,815,242	6,033,133,598	100.0	100.0	92.7
2003	0	3,016,029,050	3,646,262,356	6,057,329,072	100.0	100.0	83.4
2004	0	3,405,053,804	3,824,957,124	6,118,214,495	100.0	100.0	70.9
2005	0	3,629,506,014	3,948,522,003	6,435,344,102	100.0	100.0	71.1

ALJLAP*

	Actuarial Accrued Liabilities for						
Fiscal Year	Member Contributions (1)	Retirees and Beneficiaries (2)	Members, Employer Financed Portion (3)	Actuarial Value of Assets Available for Benefits	Percentage of Actuarial Liabilities Coverage by Assets Available for (1)	(2)	(3)
1996	$ 0	$ 6,196,526	$ 4,079,837	$ 7,258,814	100.0%	100.0%	26.0%
1997	0	6,569,957	4,857,224	8,864,395	100.0	100.0	47.2
1998	0	7,415,852	5,471,056	10,285,233	100.0	100.0	52.4
1999	0	7,883,988	6,890,537	11,763,737	100.0	100.0	56.3
2000	0	7,526,118	8,995,625	13,191,825	100.0	100.0	63.0
2001	0	7,534,368	9,275,594	14,410,199	100.0	100.0	74.1
2002	0	8,268,650	9,906,692	15,172,619	100.0	100.0	69.7
2003	0	9,709,096	10,237,391	15,626,461	100.0	100.0	57.8
2004	0	9,188,086	11,196,127	16,238,804	100.0	100.0	63.0

*Assets and liabilities transferred to the MSEP during fiscal year 2005.

Judicial Plan

	Actuarial Accrued Liabilities for						
Fiscal Year	Member Contributions (1)	Retirees and Beneficiaries (2)	Members, Employer Financed Portion (3)	Actuarial Value of Assets Available for Benefits	Percentage of Actuarial Liabilities Coverage by Assets Available for (1)	(2)	(3)
1996	$ 0	$ 86,145,180	$ 75,588,930	$ 0	100.0%	0.0%	0.0%
1997	0	99,662,179	97,810,394	0	100.0	0.0	0.0
1998	0	108,392,273	99,187,524	0	100.0	0.0	0.0
1999	0	120,543,611	107,258,730	6,067,305	100.0	5.0	0.0
2000	0	131,199,867	110,597,474	13,861,769	100.0	10.6	0.0
2001	0	143,163,718	104,815,186	22,613,050	100.0	15.8	0.0
2002	0	149,135,989	106,979,463	29,651,113	100.0	19.9	0.0
2003	0	157,923,805	109,126,052	34,566,516	100.0	21.9	0.0
2004	0	162,539,486	117,857,978	39,120,142	100.0	24.1	0.0
2005	0	168,703,822	123,600,064	44,223,509	100.0	26.2	0.0

Derivation of Experience Gain (Loss)

MSEP

Actual experience will never coincide exactly with assumed experience (except by coincidence). Gains and losses may offset each other over a period of years, but sizeable year-to-year variations from assumed experience are common. Detail on the derivation of the experience gain (loss) is shown below.

		$ Millions
(1)	Unfunded actuarial accrued liability (UAAL) at beginning of year	$1,111.8
(2)	Normal cost from last valuation	153.1
(3)	Actual employer contributions	195.6
(4)	Interest accrual: (1)x.085+[(2)-(3)]x(.085/2)	92.7
(5)	Expected UAAL before changes: (1)+(2)-(3)+(4)	1,162.0
(6)	Change from any changes in benefits, assumptions, or methods	(268.0)
(7)	Expected UAAL after changes: (5)+(6)	894.0
(8)	Actual UAAL at end of year	1,142.7
(9)	Gain (loss) (7)-(8)	$ (248.7)
(10)	Gain (loss) as a percent of actuarial accrued liabilities at start of year ($7,230)	(3.4)%

Actuarial Gain (Loss) as a % of Beginning Accrued Liabilities
(Valuation Date as of June 30)

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
0.4	5.5	5.5	4.7	2.7	(4.4)	(3.8)	(6.4)	(6.0)	(3.4)

Judicial Plan

The actuarial gains or losses realized in the operation of the Retirement System provide an experience test. Gains and losses are expected to cancel each other over a period of years but sizable year to year fluctuations are common. Detail on the derivation of the actuarial gain (loss) is shown below, along with a year by year comparative schedule.

		$ Millions
(1)	Unfunded actuarial accrued liability (UAAL) at beginning of year	$ 241.3
(2)	Employer normal cost middle of year	8.0
(3)	Employer contributions	21.9
(4)	Interest	
	a. on (1)	20.5
	b. on (2)	0.3
	c. on (3)	0.9
	d. total [a+b-c]	19.9
(5)	Expected UAAL end of year before changes	247.3
(6)	Change in UAAL end of year	
	a. amendments	0.0
	b. assumptions	0.0
	c. methods	0.4
	d. total	0.4
(7)	Expected UAAL after changes: (5)+(6d.)	247.7
(8)	Actual UAAL at end of year	248.1
(9)	Gain (loss) (7)-(8)	$ (0.4)
(10)	Gain (loss) as a percent of actuarial accrued liabilities at start of year	(0.1)%

Actuarial Gain (Loss) as a % of Beginning Accrued Liabilities
(Valuation Date as of June 30)

2000	2001	2002	2003	2004	2005
(1.7)	(3.2)	(0.2)	(1.6)	(1.0)	(0.1)

Summary of Plan Provisions*

June 30, 2005

MSEP and MSEP 2000 - Comparison of Plans for General State Employees

Plan Provision	MSEP	MSEP 2000
Membership eligibility	Members who work in a position normally requiring at least 1,000 hours of work a year.	Members hired for the first time on or after July 1, 2000, in a position normally requiring at least 1,000 hours of work a year. Members who left state employment prior to becoming vested and return to work on or after July 1, 2000, in a position normally requiring at least 1,000 hours of work a year.
Normal retirement eligibility	Age 65 and active with 4 years of service, Age 65 with 5 years of service, Age 60 with 15 years of service, or "Rule of 80" - minimum age 48.	Age 62 with 5 years of service or "Rule of 80" - minimum age 48.
Early retirement eligibility	Age 55 with 10 years of service.	Age 57 with 5 years of service.
Benefit Life Benefit Temporary Benefit	 1.6% x final average pay (FAP) x service Not available.	 1.7% x FAP x service 0.8% x FAP x service (until age 62 - only if retiring under "Rule of 80").
Vesting	5 years of service.	5 years of service.
In-service cost-of-living adjustment (COLA)	COLA given for service beyond age 65. COLA provisions are determined by employment date.	Not available.
COLA	If hired before August 28, 1997, annual COLA is equal to 80% of the change in the consumer price index (CPI) with a minimum of 4% and a maximum of 5% until reaching 65% cap. Thereafter, the rate is based on 80% of the change in the CPI with maximum rate of 5%. If hired on or after August 28, 1997, annual COLA is equal to 80% of the change in the CPI with a maximum rate of 5%.	Annual COLA is equal to 80% of the change in the CPI with a minimum rate of 5%.
Survivor benefit (Death before retirement) Non duty-related death Duty-related death	 Survivor benefit to eligible spouse calculated using the Joint & 100% Survivor Option or 80% of the member's Life Income Annuity paid to eligible children. Survivor benefit to eligible spouse or children no less than 50% of current pay (no service requirement).	 Survivor benefit to eligible spouse calculated using Joint & 100% Survivor Option or 80% of the members Life Income Annuity paid to eligible children. Survivor benefit to eligible spouse or children no less than 50% of current pay (no service requirement).
Optional forms of payment (Death after retirement)	Survivor benefit to eligible spouse based on payment option elected at retirement. Payment options include: • Life Income Annuity • Unreduced Joint & 50% Survivor • Joint & 100% Survivor • 60 or 120 Guaranteed Payments • BackDROP	Survivor benefit to eligible spouse based on payment option elected at retirement. Payment options include: • Life Income Annuity • Joint & 50% Survivor • Joint & 100% Survivor • 120 or 180 Guaranteed Payments • BackDROP

* This summary describes the plan provisions of the Revised Statutes of Missouri (RSMo), as amended, that governed the programs which MOSERS administered during the period covered by this report. It does not overrule any applicable statute or administrative rule and, in the event of a conflict, the applicable statute or rule would apply. The MSEP 2000 became effective July 1, 2000.

Summary of Plan Provisions

June 30, 2005

MSEP and MSEP 2000 - Comparison of Plans for Uniformed Members of the Water Patrol

Plan Provision	MSEP	MSEP 2000
Membership eligibility	Members who work in a position normally requiring at least 1,000 hours of work a year.	Members hired for the first time on or after July 1, 2000, in a position normally requiring at least 1,000 hours of work a year. Members who left state employment prior to becoming vested and return to work on or after July 1, 2000, in a position normally requiring at least 1,000 hours of work a year.
Normal retirement eligibility	Age 55 and active with 4 years of service, Age 55 with 5 years of service, or "Rule of 80" - minimum age 48.	Age 62 with 5 years of service or "Rule of 80" - minimum age 48.
Early retirement eligibility	Not available.	Age 57 with 5 years of service.
Benefit Life Benefit Temporary Benefit	 1.6% x FAP x service increased by 33.3% Not available.	 1.7% x FAP x service 0.8% x FAP x service (until age 62 - only if retiring under "Rule of 80").
Vesting	5 years of service.	5 years of service.
In-service COLA	COLA given for service beyond age 65. COLA provisions are determined by employment date.	Not available.
COLA	If hired before August 28, 1997, annual COLA is equal to 80% of the change in the CPI with a minimum of 4% and a maximum of 5% until reaching 65% cap. Thereafter, the rate is based on 80% of the change in the CPI with maximum rate of 5% If hired on or after August 28, 1997, annual COLA is equal to 80% of the change in the CPI with a maximum rate of 5%.	Annual COLA is equal to 80% of the change in the CPI with a minimum rate of 5%.
Survivor benefit (Death before retirement) Non duty-related death Duty-related death	 Survivor benefit to eligible spouse calculated using the Joint & 100% Survivor Option or 80% of the member's Life Income Annuity paid to eligible children. Survivor benefit to eligible spouse or children no less than 50% of current pay (no service requirement).	 Survivor benefit to eligible spouse calculated using Joint & 100% Survivor Option or 80% of the members Life Income Annuity paid to eligible children. Survivor benefit to eligible spouse or children no less than 50% of current pay (no service requirement).
Optional forms of payment (Death after retirement)	Survivor benefit to eligible spouse based on payment option elected at retirement. Payment options include: • Life Income Annuity • Unreduced Joint & 50% Survivor • Joint & 100% Survivor • 60 or 120 Guaranteed Payments • BackDROP	Survivor benefit to eligible spouse based on payment option elected at retirement. Payment options include: • Life Income Annuity • Joint & 50% Survivor • Joint & 100% Survivor • 120 or 180 Guaranteed Payments • BackDROP

Summary of Plan Provisions

June 30, 2005

MSEP and MSEP 2000 - Comparison of Plans for Legislators

Plan Provision	MSEP	MSEP 2000
Membership eligibility	Elected to the general assembly.	Elected to the general assembly on or after July 1, 2000.
Normal retirement eligibility	Age 55 with 3 full-biennial assemblies.	Age 55 with 3 full-biennial assemblies or "Rule of 80" - minimum age 50.
Early retirement eligibility	Not available.	Not available.
Benefit Life Benefit Temporary Benefit	 $150 per month per biennial assembly. Not available.	 (Monthly base pay ÷ 24) x service capped at 100% of pay. Not available.
Vesting	3 full-biennial assemblies.	3 full-biennial assemblies.
In-service COLA	COLA given for service beyond age 65. COLA provisions are determined by employment date.	Not available.
COLA	If hired before August 28, 1997, annual COLA is equal to 80% of the change in the CPI with a minimum of 4% and a maximum of 5% until reaching 65% cap. Thereafter, the rate is based on 80% of the change in the CPI with maximum rate of 5% If hired on or after August 28, 1997, annual COLA is equal to 80% of the change in the CPI with a maximum rate of 5%.	Benefit adjusted each year based on the percentage increase in the current pay for an active member of the general assembly.
Survivor benefit (Death before retirement) Non duty-related death Duty-related death	 Survivor benefit to eligible spouse calculated using the Joint & 100% Survivor Option or 80% of the member's Life Income Annuity paid to eligible children. Survivor benefit to eligible spouse or children no less than 50% of current pay (no service requirement).	 Survivor benefit to eligible spouse calculated using Joint & 100% Survivor Option or 80% of the members Life Income Annuity paid to eligible children. Survivor benefit to eligible spouse or children no less than 50% of current pay (no service requirement).
Optional forms of payment (Death after retirement)	Survivor benefit to eligible spouse based on payment option elected at retirement. Payment options include: • Life Income Annuity • Unreduced Joint & 50% Survivor • Joint & 100% Survivor • 60 or 120 Guaranteed Payments	Survivor benefit to eligible spouse based on payment option elected at retirement. Payment options include: • Life Income Annuity • Joint & 50% Survivor • Joint & 100% Survivor • 120 or 180 Guaranteed Payments

MSEP and MSEP 2000 - Comparison of Plans for Elected Officials

Plan Provision	MSEP	MSEP 2000
Membership eligibility	Elected to state office.	Elected to state office on or after July 1, 2000.
Normal retirement eligibility	Age 65 with 4 years of service, Age 60 with 15 years of service, or "Rule of 80" - minimum age 48.	Age 55 with 4 years of service or "Rule of 80" - minimum age 50.
Early retirement eligibility	Age 55 with 10 years of service.	Not available.
Benefit Life Benefit	12 or more years of service 50% or current pay for highest position held. Less than 12 years of service. 1.6% x FAP x service.	(Monthly base pay ÷ 24) x service capped at 12 years or 50% of pay.
Temporary Benefit	Not available.	Not available.
Vesting	4 years of service	4 years of service.
In-service COLA	COLA provisions determined by amount of service relative to 12 years and date of employment.	Not available.
COLA	12 or more years of service COLA is equal to the percentage increase in the current pay of an active elected state official in the highest position held. Less than 12 years of service If hired before August 28, 1997, annual COLA is equal to 80% of the change in the CPI with a minimum of 4% and a maximum of 5% until reaching 65% cap. Thereafter, the rate is based on 80% of the change in the CPI with maximum rate of 5%. If hired on or after August 28, 1997, annual COLA is equal to 80% of the change in the CPI with a maximum rate of 5%.	Benefit adjusted each year based on the percentage increase in the current pay for an active elected state official in the highest position held.
Survivor benefit (Death before retirement) Non duty-related death	Survivor benefit to eligible spouse calculated using the Joint & 100% Survivor Option or 80% of the member's Life Income Annuity paid to eligible children.	Survivor benefit to eligible spouse calculated using Joint & 100% Survivor Option or 80% of the members Life Income Annuity paid to eligible children.
Duty-related death	Survivor benefit to eligible spouse or children no less than 50% of current pay (no service requirement).	Survivor benefit to eligible spouse or children no less than 50% of current pay (no service requirement).
Optional forms of payment (Death after retirement)	Survivor benefit to eligible spouse based on payment option elected at retirement. Payment options include: • Life Income Annuity • Unreduced Joint & 50% Survivor • Joint & 100% Survivor • 60 or 120 Guaranteed Payments	Survivor benefit to eligible spouse based on payment option elected at retirement. Payment options include: • Life Income Annuity • Joint & 50% Survivor • Joint & 100% Survivor • 120 or 180 Guaranteed Payments

Summary of Plan Provisions

June 30, 2005

MSEP and MSEP 2000 - Administrative Law Judges and Legal Advisors*

Plan Provision	Requirement
Membership eligibility	Administrative law judge or legal advisor in the Division of Workers' Compensation, a member or legal counsel of the Labor and Industrial Relations Commission, chairperson of the State Board of Mediation, or an administrative hearing commissioner hired prior to April 26, 2005.
Normal retirement eligibility	Age 62 with 12 years of service, Age 60 with 15 year of service, or Age 55 with 20 years of service.
Reduced retirement eligibility	Age 65 with less than 12 years of service with reduced benefit, based upon years of service relative to 12 years.
Benefit formula	<u>12 or more years of service</u> 50% of the average highest 12 consecutive months of salary.
Vesting	Immediate.
In-service COLA	Not available.
COLA	If hired before August 28, 1997, annual COLA is equal to 80% of the change in the CPI with a minimum of 4% and a maximum of 5% until reaching 65% cap. Thereafter, the rate is based on 80% of the change in the CPI with maximum rate of 5%. If hired on or after August 28, 1997, annual COLA is equal to 80% of the change in the CPI with a maximum rate of 5%.
Survivor benefit (Death before retirement)	Survivor benefit to eligible spouse equal to 50% of the benefit the member would have received based on service at age 70.
Survivor benefit (Death after retirement)	Survivor benefit to eligible spouse equal to 50% of the member's annuity at the time of death.

* All new administrative law judges and legal advisors hired on or after April 26, 2005, who had not been previously covered by a retirement system under Chapter 287, RSMo, participate in the MSEP which is covered under Chapter 104, RSMo.

Summary of Plan Provisions
June 30, 2005

Judicial Plan

Plan Provision	Requirement
Membership eligibility	Must be a judge or commissioner of the supreme court or of the court of appeals, or a judge of any circuit court, probate court, magistrate court, court of common pleas, or court of criminal corrections, or a justice of the peace, or a commissioner or deputy commissioner of the circuit court appointed after February 29, 1972.
Normal retirement eligibility	Age 62 with 12 years of service, Age 60 with 15 year of service, or Age 55 with 20 years of service.
Reduced retirement eligibility	Age 62 with less than 12 years of service or age 60 with less than 15 years of service with a reduced benefit based on years of service relative to 12 or 15 years.
Benefit formula	<u>12 or 15 more years of service</u> 50% of the FAP. <u>Less than 12 or 15 years of service</u> *If between ate 60 and 62* (years of service ÷ 15) x 50% of compensation on the highest court served. *If age 62* (years of service ÷ 12) x 50% of compensation on the highest court served.
Vesting	Immediate.
In-service COLA	Judges who are at least age 60 and work beyond the date first eligible for unreduced benefits will receive COLAs for each year worked beyond normal retirement eligibility. COLA provisions are determined by date of employment.
COLA	If hired before August 28, 1997, annual COLA is equal to 80% of the change in the CPI with a minimum of 4% and a maximum of 5% until reaching 65% cap. Thereafter, the rate is based on 80% of the change in the CPI with maximum rate of 5%. If hired on or after August 28, 1997, annual COLA is equal to 80% of the change in the CPI with a maximum rate of 5%.
Survivor benefit (Death before retirement)	Survivor benefit to eligible spouse equal to 50% of the benefit the member would have received based on service at age 70.
Survivor benefit (Death after retirement)	Survivor benefit to eligible spouse equal to 50% of the member's annuity at the time of death.

Summary of Plan Provisions
June 30, 2005

Life Insurance Plans
MOSERS administers basic and optional term life insurance plans for eligible state employees and retirees.

Active Members*	Requirement
Basic Life Insurance An amount equal to one-times annual salary (with a minimum of $15,000) while actively employed.	Actively employed in an eligible state position resulting in membership in MOSERS.
Duty-Related Death Benefit Duty-related death benefit equivalent to two-times the annual salary the member was earning at the time of death in addition to the basic life insurance amount of one-times annual salary.	Actively employed in an eligible state position resulting in membership in MOSERS.
Optional Life Insurance Additional life insurance may be purchased in a flat amount in multiples of $10,000 not to exceed the maximum (lesser of six-times annual salary or $800,000). Spouse coverage may be purchased in multiples of $10,000 up to a maximum of $100,000; however, the amount of spouse coverage cannot exceed the amount of optional life insurance coverage the member has purchased. Coverage for children is available in a flat amount of $10,000 per child.	Actively employed in an eligible state position resulting in membership in MOSERS.
* Terminating employees may convert coverage up to the amount they had as an active employee at individual rates.	

Retired Members	Requirement
Basic Life Insurance at Retirement $5,000 basic life insurance during retirement.	Must retire directly from active employment.
Optional Life Insurance at Retirement (MSEP) An employee may retain up to the lesser of $60,000 or the amount of optional life insurance coverage held at the time of retirement at the group rate and may convert any remaining basic and optional life insurance at individual rates.	Must retire directly from active employment.
Optional Life Insurance at Retirement (MSEP 2000) Under "Rule of 80" an employee may retain the current amount of coverage prior to retirement until age 62 at which time coverage is reduced to $60,000, and may convert any remaining basic and optional life insurance at individual rates. Coverage for spouse and/or children ends at member's retirement and may be converted at individual rates.	Must retire directly from active employment.

Long-Term Disability (LTD) Plans

MOSERS administers the LTD Plan for eligible state employees who become disabled during active employment.

Active Members	Requirement
General State Employees, Legislators, and Elected State Officials Members of MOSERS in a position normally requiring 1,000 hours of work a year are covered under the LTD plan, unless they work for a state agency which has its own LTD plan.	**Long-Term Disability -** Eligible participants receive 60% of their compensation minus primary social security, workers' compensation, and employer provided income. Benefits commence after 90 days of disability or after sick leave expires, whichever occurs last. LTD benefits cease upon the earliest of (i) when disability ends, (ii) when the member is first eligible for normal retirement benefits or is receiving early retirement benefits, (iii) when the member returns to work, or (iv) upon a member's death.
Water Patrol	Uniformed members who are eligible for statutory occupational disability receive benefits equal to 50% of compensation with no offset for social security at the time of disability. For nonoccupational disabilities, eligible participants receive the same benefit as general employees.
Judges	In addition to the disability benefits provided to general employees, judges also receive benefits under the state constitution, Participants receive 50% of salary until the current term expires.

Changes in Plan Provisions

Administrative Law Judges and Legal Advisors' Plan

Senate Bill No. 202 et al requires any administrative law judge or legal advisor (which by statutory definition includes the Chairman of the Board of Mediation, a Labor and Industrial Relations Commissioner, an attorney employed by the Division of Labor Standards, an administrative hearing commissioner and the Division Director of Workers' Compensation) who is employed on or after April 26, 2005 (who has not been previously covered by a retirement system under Chapter 287, RSMo), to participate in the Missouri State Employees' Plan (MSEP) which is covered under Chapter 104, RSMo. This legislation does not impact anyone serving in (or who had served in) a position covered by the ALJLAP prior to the effective date of the legislation, and requires all liabilities and assets of the ALJLAP to be transferred and combined with the MSEP.

Life Insurance for State Employees Called to Active Military Duty

HB No. 119 allows all public employees who are entitled to life insurance benefits as a state employee or member of a state retirement system, who are or become members of the United States Armed Forces or the national guard and who are called to such military service in time of active armed warfare, to receive life insurance benefits for the entire duration of such military deployment, including time periods in excess of twelve months.

MOSERS facilitates both the basic and optional life insurance programs through a third party administrator. Under the prior insurance contract, all employees who were eligible for any type of leave have the option of continuing both basic and optional life insurance at their own expense for a period not to exceed twelve months. Under this legislation, employees who are called to active military duty are able to continue such insurance coverage for the length of their deployment which may well extend beyond twelve months.

Actuarial Present Values
As of June 30, 2005

MSEP

Actuarial Present Value As of June 30, 2005 for	Actuarial Present Value	Portion Covered by Future Normal Cost Contributions	Actuarial Accrued liabilities
Active members			
Service retirement benefits based on services rendered before and likely to be rendered after valuation date	$ 3,893,586,337	$ 793,617,282	$ 3,099,969,055
Disability benefits likely to be paid to present active members who become totally and permanently disabled	124,887,418	53,064,218	71,823,200
Survivor benefits likely to be paid to widows and children of present active members who die before retiring	152,662,846	41,847,796	110,815,050
Separation benefits likely to be paid to present active members			
Refunds of member contributions	0	0	0
Deferred benefits	408,944,698	200,051,699	208,892,999
Active Member Totals	$ 4,580,081,299	$ 1,088,580,995	3,491,500,304
Members on leave of absence & LTD			
Service retirement benefits based on service rendered before the valuation date			99,571,087
Terminated-vested members			
Service retirement benefits based on service rendered before the valuation date			357,450,612
Retired lives			3,628,798,766
BackDROP installment payments incurred, but not yet paid			707,248
Total actuarial accrued liability			7,578,028,017
Actuarial value of assets			6,435,344,102
Unfunded actuarial accrued liability			$ 1,142,683,915

Actuarial Present Values
As of June 30, 2005

Judicial Plan

Actuarial Present Value As of June 30, 2005 For	Actuarial Present Value	Portion Covered by Future Normal Cost Contributions	Actuarial Accrued liabilities
Active members			
Service retirement benefits based on services rendered before and likely to be rendered after valuation date	$ 154,034,725	$ 48,602,824	$ 105,431,901
Disability benefits likely to be paid to present active members who become totally and permanently disabled	1,737,937	1,363,700	374,237
Survivor benefits likely to be paid to widows and children of present active members who die before retiring	5,532,149	3,047,229	2,484,920
Active member totals	$ 161,304,811	$ 53,013,753	108,291,058
Terminated-vested members			
Service retirement benefits based on service rendered before the valuation date			15,309,006
Retired lives			168,703,822
Total actuarial accrued liability			292,303,886
Actuarial value of assets			44,223,509
Unfunded actuarial accrued liability			$ 248,080,377

Customer Service
With A Voice

Statistical Section

Summary

MOSERS opted for early implementation of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section, issued in May 2004. This pronoucement establishes and modifies requirements related to the supplementary information presented in this section of this report.

Plan Membership

Membership in the pension trusts administered by MOSERS increased by 1,863. Active members decreased by 26, retired members and their beneficiaries increased by 998, and terminated-vested members increased by 891. Membership data for the last ten years ended June 30, 2005, can be found on page 143. Page 146 depicts the location of benefit recipients, showing that the majority remain in the state of Missouri after retirement.

Net Assets vs. Liabilities

The charts on page 138-141 graphically represent the funding progress of the pension plans for the ten years ended June 30, 2005. The area charts on the top of the pages show the portion of the pension liabilities that are unfunded compared to the portion covered by assets in the trust funds. The charts on the bottom of the pages illustrates the funded ratio of the plans for the ten years ended June 30, 2005.

The existence of the unfunded actuarial accrued liabilities is not necessarily an indication of financial problems, but the fluctuations are important and must be monitored and controlled.

The remainder of this section contains various statistical and historical data considered useful in evaluating the condition of the plans.

All nonaccounting data is taken from MOSERS internal sources.

Changes in Net Assets

Last Ten Fiscal Years

Fiscal Year	1996	1997	1998	1999
MSEP				
Additions				
Employer contributions	$ 137,007,112	$ 146,383,371	$ 152,090,687	$ 197,909,834
Member service purchases	726,527	640,590	1,035,738	1,151,328
Service transfers in	135,598	2,238,691	36,908	147,315
Investment income (net of expense)	453,955,454	653,958,265	661,480,958	504,026,290
Other	9,129	235,279	14,925	659,215
Total additions to plan net assets	591,833,820	803,456,196	814,659,216	703,893,982
Deductions				
Benefits	115,627,764	126,941,341	149,261,681	155,299,924
Refunds	0	102	1,514	0
Service transfers out	30,327	2,091,233	0	0
Administrative expenses	3,221,578	3,563,018	4,500,944	5,763,229
Legal settlements	23,148,000	0	18,998	0
Total deductions from plan net assets	142,027,669	132,595,694	153,783,137	161,063,153
Transfer from ALJLAP Plan	0	0	0	0
Change in net assets	$ 449,806,151	$ 670,860,502	$ 660,876,079	$ 542,830,829
ALJLAP				
Additions				
Employer contributions	$ 548,276	$ 652,709	$ 564,295	$ 639,285
Investment income (net of expense)	1,122,107	1,614,183	1,613,972	1,205,813
Other	23	34	36	1,577
Total additions to plan net assets	1,670,406	2,266,926	2,178,303	1,846,675
Deductions				
Benefits	633,527	616,859	677,213	747,663
Administrative expenses	7,963	8,795	10,981	13,788
Legal settlements	0	0	46	0
Total deductions from plan net assets	641,490	625,654	688,240	761,451
Transfer to MSEP plan	0	0	0	0
Change in net assets	$ 1,028,916	$ 1,641,272	$ 1,490,063	$ 1,085,224
Judicial Plan				
Additions				
Employer contributions	$ 9,907,505	$ 10,450,270	$ 11,433,457	$ 17,862,353
Investment income (net of expense)	0	0	0	452,499
Other	0	0	0	592
Total additions to plan net assets	9,907,505	10,450,270	11,433,457	18,315,444
Deductions				
Benefits	9,907,505	10,450,270	11,433,457	12,229,325
Administrative expenses	0	0	0	5,174
Total deductions from plan net assets	9,907,505	10,450,270	11,433,457	12,234,499
Change in net assets	$ 0	$ 0	$ 0	$ 6,080,945
Internal Service Fund				
Operating revenues				
Premium receipts	$ 14,110,249	$ 16,255,848	$ 16,720,199	$ 18,942,592
Miscellaneous income	396,889	379,684	423,419	444,617
Total operating revenues	14,507,138	16,635,532	17,143,618	19,387,209
Operating expenses				
Premium disbursements	15,044,250	16,200,297	16,653,714	18,877,414
Premium refunds	53,652	55,550	66,485	65,177
Administrative expenses	330,702	363,276	470,791	622,545
Other	0	0	0	5,000
Total operating expenses	15,428,604	16,619,123	17,190,990	19,570,136
Non-operating revenues				
Investment income	81,687	50,608	58,889	55,323
Change in net assets	$ (839,779)	$ 67,017	$ 11,517	$ (127,604)

2000	2001	2002	2003	2004	2005
$ 202,330,547	$ 215,750,128	$ 209,515,026	$ 156,576,150	$ 164,691,836	$ 194,524,059
1,991,206	1,918,572	3,913,426	3,690,820	3,426,367	4,122,001
3,468,697	167,640	48,840	53,119	166,510	29,397
402,878,683	(112,164,123)	(348,106,057)	332,901,027	873,793,645	727,341,314
629,924	418,663	447,462	437,574	469,959	1,231,658
611,299,057	106,090,880	(134,181,303)	493,658,690	1,042,548,317	927,248,429
179,690,822	217,862,853	268,480,982	319,607,447	367,248,099	367,431,297
889	0	0	4,019	8,585	0
18,609	31,482	27,970	2,191,487	529,177	199,201
5,487,531	5,749,965	5,753,812	5,954,365	5,694,082	6,228,609
0	0	0	0	0	0
185,197,851	223,644,300	274,262,764	327,757,318	373,479,943	373,859,107
0	0	0	0	0	18,157,148
$ 426,101,206	$ (117,553,420)	$ (408,444,067)	$ 165,901,372	$ 669,068,374	$ 571,546,470
$ 807,022	$ 1,074,946	$ 1,072,562	$ 951,023	$ 945,950	$ 1,124,924
961,336	(273,380)	(874,249)	862,381	2,344,262	2,057,375
1,503	1,020	1,124	1,134	1,261	3,484
1,769,861	802,586	199,437	1,814,538	3,291,473	3,185,783
755,574	776,422	836,615	969,918	1,003,355	749,197
13,094	14,015	14,450	15,425	15,276	17,618
0	0	0	0	0	0
768,668	790,437	851,065	985,343	1,018,631	766,815
0	0	0	0	0	(18,157,148)
$ 1,001,193	$ 12,149	$ (651,628)	$ 829,195	$ 2,272,842	$ (15,738,180)
$ 19,988,676	$ 22,473,913	$ 22,088,485	$ 20,802,140	$ 20,636,314	$ 21,852,985
869,566	(391,124)	(1,680,566)	1,932,815	5,800,076	5,409,107
1,360	1,460	2,160	2,541	3,119	9,160
20,859,602	22,084,249	20,410,079	22,737,496	26,439,509	27,271,252
13,292,188	15,010,098	15,943,642	16,870,011	17,658,269	18,396,397
11,844	20,051	27,778	34,571	37,796	46,321
13,304,032	15,030,149	15,971,420	16,904,582	17,696,065	18,442,718
$ 7,555,570	$7,054,100	$ 4,438,659	$ 5,832,914	$ 8,743,444	$ 8,828,534
$ 20,119,784	$ 23,185,529	$ 24,753,708	$ 25,223,043	$ 25,771,703	$ 27,305,305
436,488	464,351	436,489	436,494	436,489	436,489
20,556,272	23,649,880	25,190,197	25,659,537	26,208,192	27,741,794
20,049,507	22,480,704	24,675,520	25,169,883	25,736,083	27,271,948
70,277	704,825	78,188	53,160	35,620	33,357
519,271	410,906	439,232	421,507	474,040	466,531
0	0	0	0	0	0
20,639,055	23,596,435	25,192,940	25,644,550	26,245,743	27,771,836
68,349	81,717	47,767	31,179	24,353	49,326
$ (14,434)	$ 135,162	$ 45,024	$ 46,166	$ (13,198)	$ 19,284

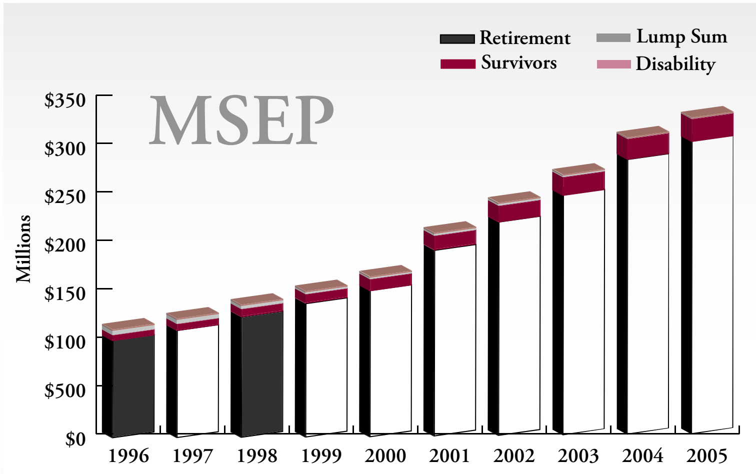
Deductions From Net Assets for Benefits and Refunds by Type

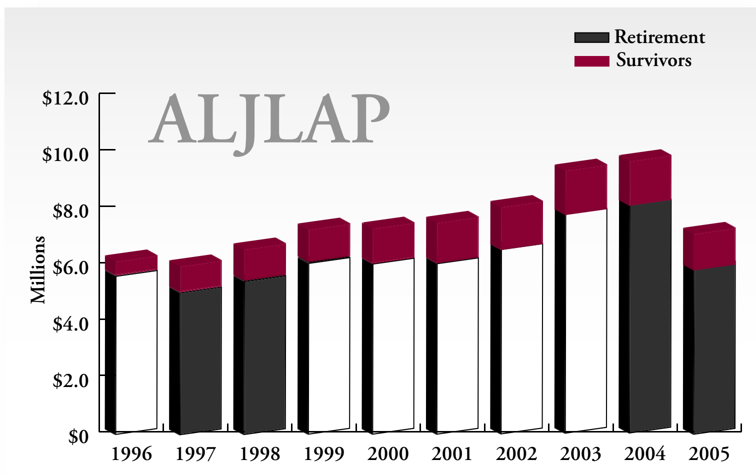
Ten Years Ended June 30, 2005

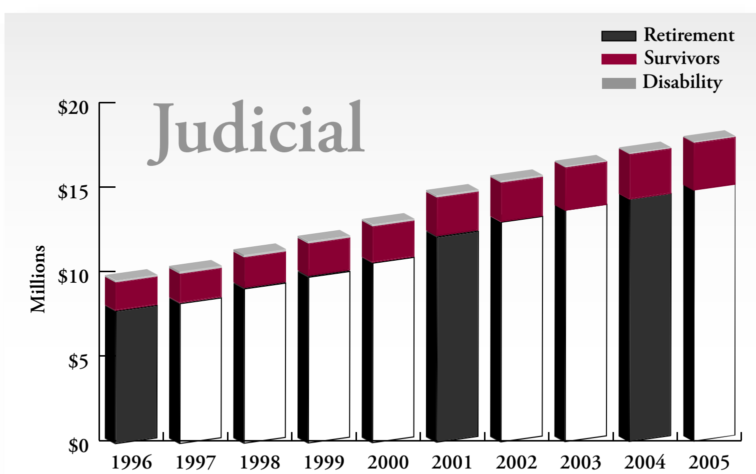
Fiscal Year	1996	1997	1998	1999	2000
MSEP					
Type of Benefit					
Retirement	$ 104,590,632	$ 115,074,410	$ 129,252,252	$ 143,330,197	$ 157,184,011
Survivors	6,219,652	7,265,874	8,498,948	9,812,877	12,602,200
Disability	347,600	310,485	279,617	245,284	219,550
Lump Sum	4,469,880	4,290,572	3,178,164	1,871,798	1,522,312
Benefit Adjustments	0	0	8,052,700	39,768	8,162,749
Total Benefits	$ 115,627,764	$ 126,941,341	$ 149,261,681	$ 155,299,924	$ 179,690,822
Refunds	$ 0	$ 102	$ 1,514	$ 0	$ 889
ALJLAP					
Type of Benefit					
Retirement	$ 583,410	$ 523,264	$ 564,230	$ 630,161	$ 627,865
Survivors	50,117	93,595	112,983	117,502	127,709
Total Benefits	$ 633,527	$ 616,859	$ 677,213	$ 747,663	$ 755,574
Judicial Plan					
Type of Benefit					
Retirement	$ 8,150,536	$ 8,607,999	$ 9,499,727	$ 10,202,222	$ 11,054,218
Survivors	1,718,861	1,767,232	1,850,701	1,969,206	2,192,748
Disability	38,108	75,039	83,029	57,897	45,222
Total Benefits	$ 9,907,505	$ 10,450,270	$ 11,433,457	$ 12,229,325	$ 13,292,188

Fiscal Year	2001	2002	2003	2004	2005
MSEP					
Type of Benefit					
Retirement	$ 199,479,082	$ 229,333,190	$ 257,883,204	$ 295,200,938	$ 314,623,851
Survivors	15,184,214	17,482,292	19,689,766	21,930,438	24,251,854
Disability	178,337	145,856	118,279	102,696	82,246
Lump Sum	1,886,958	1,893,194	1,384,599	320,267	342,720
Benefit Adjustments	1,134,262	19,626,450	40,531,599	49,693,761	28,130,626
Total Benefits	$ 217,862,853	$ 268,480,982	$ 319,607,447	$ 367,248,100	$ 367,431,297
Refunds	$ 0	$ 0	$ 4,019	$ 8,585	$ 0
ALJLAP					
Type of Benefit					
Retirement	$ 629,094	$ 680,391	$ 808,124	$ 840,963	$ 616,370
Survivors	147,328	156,224	161,794	162,392	132,827
Total Benefits	$ 776,422	$ 836,615	$ 969,918	$ 1,003,355	$ 749,197
Judicial Plan					
Type of Benefit					
Retirement	$ 12,621,473	$ 13,525,249	$ 14,256,361	$ 14,913,678	$ 15,513,182
Survivors	2,340,625	2,379,860	2,613,650	2,744,591	2,883,215
Disability	48,000	38,533	0	0	0
Total Benefits	$ 15,010,098	$ 15,943,642	$ 16,870,011	$ 17,658,269	$ 18,396,397

Deductions From Net Assets for Benefits and Refunds by Type
Ten Years Ended June 30, 2005





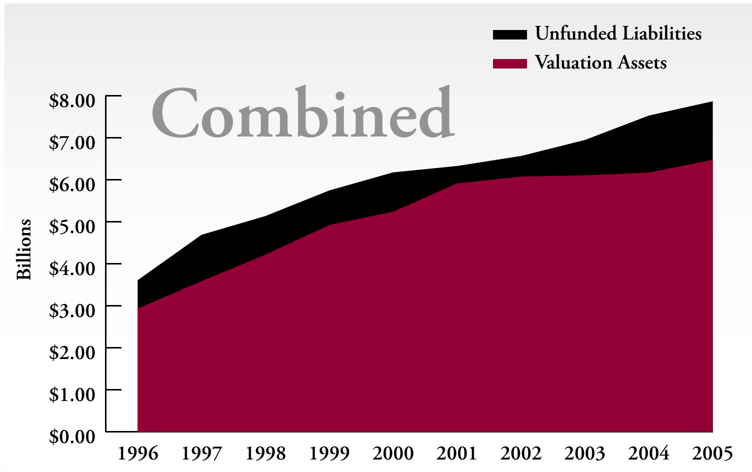


Pension Trust Funds - All Plans Combined

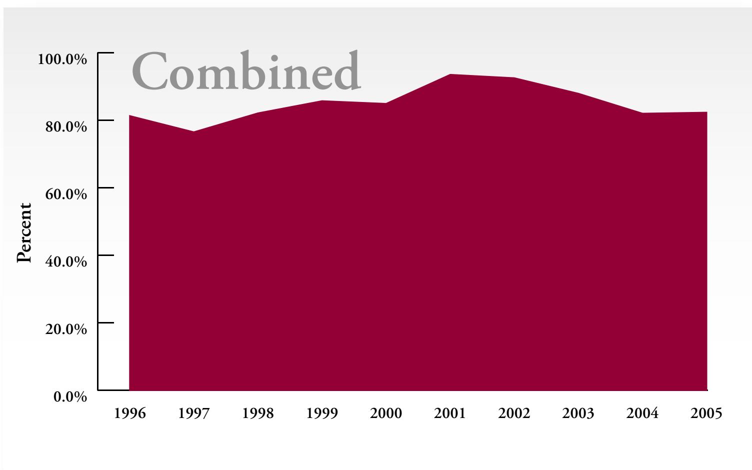
Valuation Assets vs. Pension Liabilities

Ten Years Ended June 30, 2005

Actuarial Accrued Liabilities*



Valuation Assets as Percents of Pension Liabilities*



Valuation Assets (at market) vs. Pension Liabilities

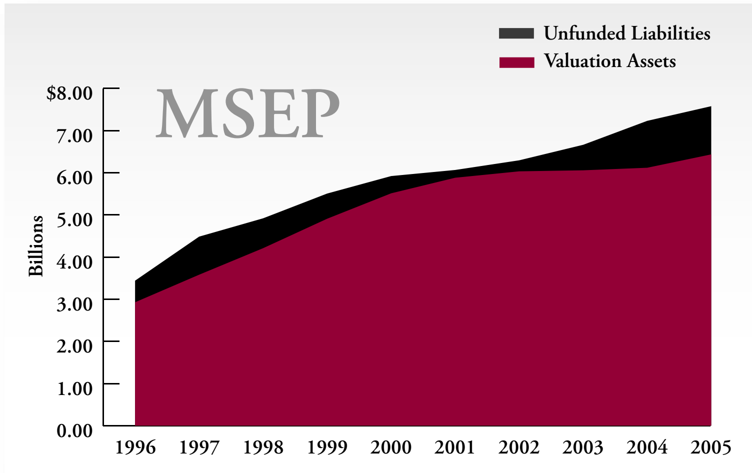
	Dollars in Billions			
Fiscal Year	Valuation Assets	Unfunded Liabilities	Accrued Liabilities	Funded Ratios
1996	$ 2.9352	$ 0.6769	$ 3.6121	81.3%
1997	3.5899	1.1030	4.6929	76.5
1998	4.2209	0.9185	5.1394	82.1
1999	4.9267	0.8219	5.7486	85.7
2000	5.2433	0.9357	6.1790	84.9
2001	5.9182	0.4118	6.3300	93.5
2002	6.0780	0.4906	6.5686	92.5
2003	6.1075	0.8418	6.9493	87.9
2004	6.1736	1.3572	7.5308	82.0
2005	6.4796	1.3907	7.8703	82.3

Pension Trust Funds - MSEP

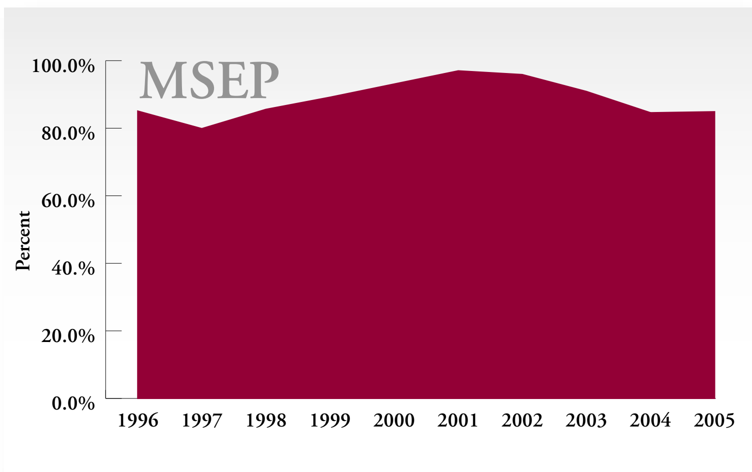
Valuation Assets vs. Pension Liabilities

Ten Years Ended June 30, 2005

Actuarial Accrued Liabilities



Valuation Assets as Percents of Pension Liabilities



Valuation Assets (at market) vs. Pension Liabilities

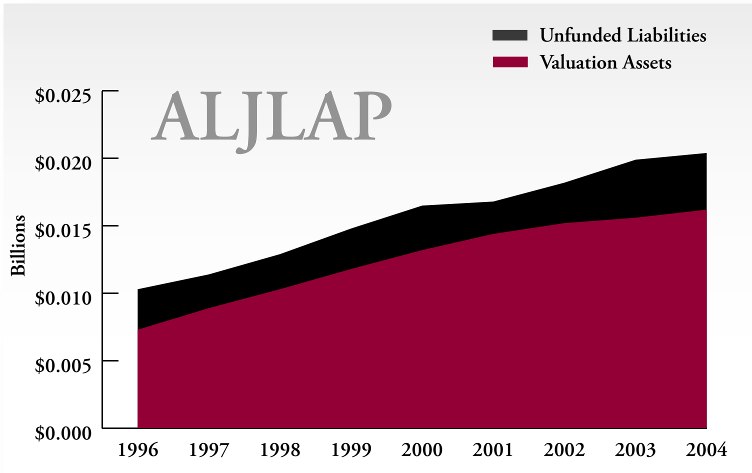
	Dollars in Billions			
Fiscal Year	Valuation Assets	Unfunded Liabilities	Accrued Liabilities	Funded Ratios
1996	$ 2.9279	$ 0.5122	$ 3.4401	85.1%
1997	3.5810	0.9030	4.4840	79.9
1998	4.2106	0.7083	4.9189	85.6
1999	4.9088	0.5972	5.5060	89.2
2000	5.5117	0.4090	5.9207	93.1
2001	5.8812	0.1840	6.0652	97.0
2002	6.0331	0.2612	6.2943	95.9
2003	6.0573	0.6050	6.6623	90.9
2004	6.1182	1.1118	7.2300	84.6
2005	6.4353	1.1427	7.5780	84.9

Pension Trust Funds - ALJLAP

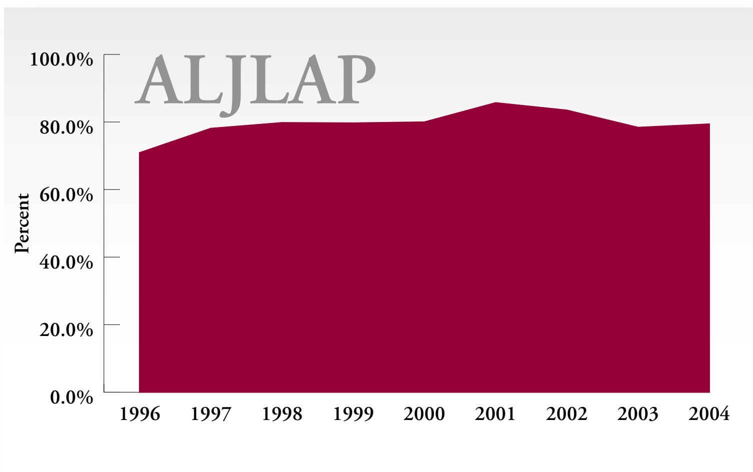
Valuation Assets vs. Pension Liabilities

Ten Years Ended June 30, 2005

Actuarial Accrued Liabilities*



Valuation Assets as Percents of Pension Liabilities*



Valuation Assets (at market) vs. Pension Liabilities

	Dollars in Billions			
Fiscal Year	**Valuation Assets**	**Unfunded Liabilities**	**Accrued Liabilities**	**Funded Ratios**
1996	$ 0.0073	$ 0.0030	$ 0.0103	70.9%
1997	0.0089	0.0025	0.0114	78.1
1998	0.0103	0.0026	0.0129	79.8
1999	0.0118	0.0030	0.0148	79.7
2000	0.0132	0.0033	0.0165	80.0
2001	0.0144	0.0024	0.0168	85.7
2002	0.0152	0.0030	0.0182	83.5
2003	0.0156	0.0043	0.0199	78.4
2004	0.0162	0.0042	0.0204	79.4

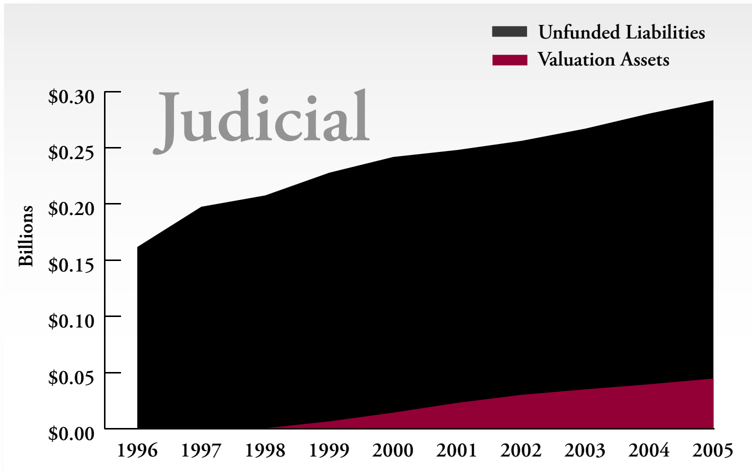
*Assets and liabilities transferred to MSEP during FY05

Pension Trust Funds - Judicial Plan

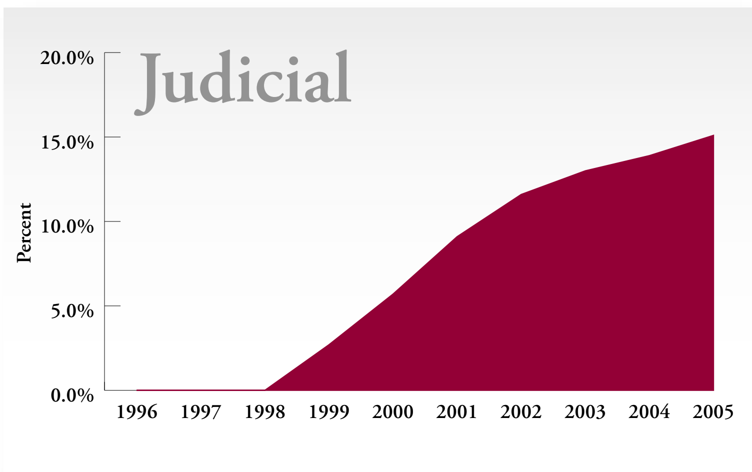
Valuation Assets vs. Pension Liabilities

Ten Years Ended June 30, 2005

Actuarial Accrued Liabilities



Valuation Assets as Percents of Pension Liabilities

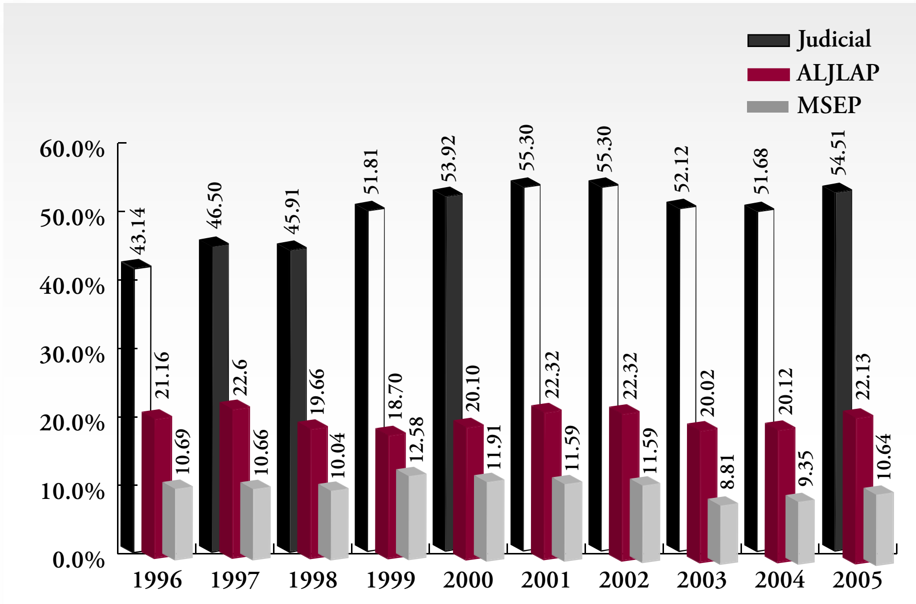


Valuation Assets (at market) vs. Pension Liabilities

	Dollars in Billions			
Fiscal Year	**Valuation Assets**	**Unfunded Liabilities**	**Accrued Liabilities**	**Funded Ratios**
1996	$ 0.0000	$ 0.1617	$ 0.1617	0.0%
1997	0.0000	0.1975	0.1975	0.0
1998	0.0000	0.2076	0.2076	0.0
1999	0.0061	0.2217	0.2278	2.7
2000	0.0139	0.2279	0.2418	5.7
2001	0.0226	0.2254	0.2480	9.1
2002	0.0297	0.2264	0.2561	11.6
2003	0.0346	0.2324	0.2670	13.0
2004	0.0391	0.2413	0.2804	13.9
2005	0.0442	0.2481	0.2923	15.1

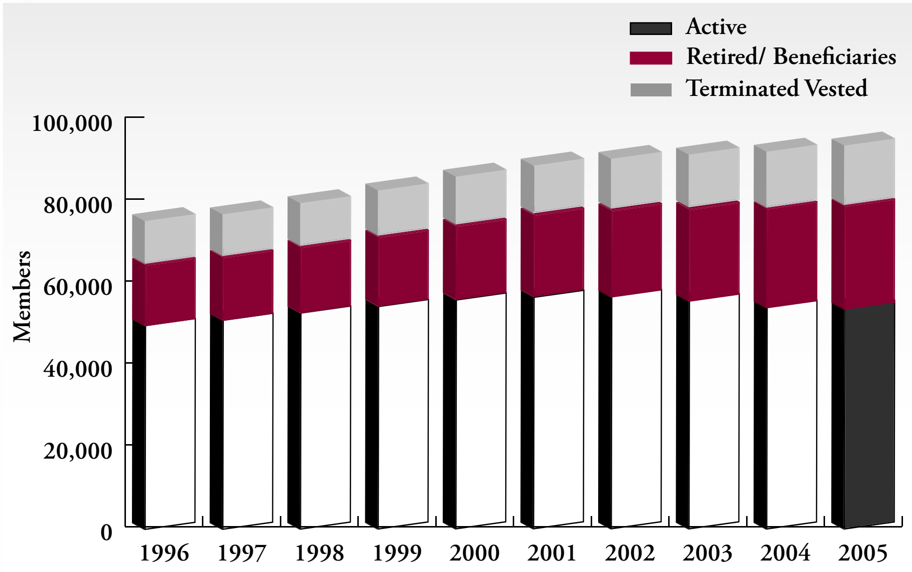
Prior to FY99 the Judicial Plan was on a pay-as-you-go basis

Contribution Rates
Last Ten Fiscal Years



	Percent of Payroll		
Fiscal Year	MSEP	ALJLAP	Judicial
1996	10.69%	21.16%	43.14%
1997	10.66	22.60	46.50
1998	10.40	19.66	45.91
1999	12.58	18.70	51.81
2000	11.91	20.10	53.92
2001	11.59	22.32	55.30
2002	11.59	22.32	55.30
2003	8.81	20.02	52.12
2004	9.35	20.12	51.68
2005	10.64	22.13	54.51

Membership in Retirement Plans
Last Ten Fiscal Years



Fiscal Year	Active	Retired/ Beneficiaries	Terminated Vested	Totals
1996	51,837	15,362	10,548	77,747
1997	53,147	15,963	10,273	79,383
1998	54,951	16,616	10,561	82,128
1999	56,571	17,495	11,181	85,247
2000	58,201	18,582	11,858	88,641
2001	58,869	20,642	11,837	91,348
2002	59,066	21,910	12,339	93,315
2003	58,007	23,292	13,073	94,372
2004	56,362	25,179	13,898	95,439
2005	56,336	26,177	14,789	97,302

Benefit Recipients by Type of Retirement and Option Selected
As of June 30, 2005

MSEP

Amount of Monthly Benefit	Number of Benefit Recipients	Type of Retirement A	B	C	D	E	F	G
$1 - $250	3,441	1,445	1,179	340	440	11	0	26
251 - 500	4,907	2,684	1,315	372	500	8	0	28
501 - 750	3,935	2,847	544	196	327	2	0	19
751 - 1,000	2,899	2,397	218	98	178	0	0	8
1001 - 1250	2,165	1,892	78	86	107	0	0	2
1,251 - 1,500	1,773	1,611	43	44	73	0	0	2
1,501 - 1,750	1,456	1,347	20	36	52	0	0	1
1,751 - 2,000	1,271	1,198	12	14	46	0	0	1
Over 2,000	4,246	4,059	22	55	110	0	0	0
Total	26,093	19,480	3,431	1,241	1,833	21	0	87

Judicial Plan

Amount of Monthly Benefit	Number of Benefit Recipients	Type of Retirement A	B	C	D	E	F	G
$1 - $250	0	0	0	0	0	0	0	0
251 - 500	8	0	5	0	3	0	0	0
501 - 750	10	0	0	3	7	0	0	0
751 - 1,000	12	0	2	3	7	0	0	0
1001 - 1250	5	0	2	2	1	0	0	0
1,251 - 1,500	8	0	4	3	1	0	0	0
1,501 - 1,750	13	1	5	1	6	0	0	0
1,751 - 2,000	13	0	2	4	6	0	0	1
Over 2,000	329	224	29	25	51	0	0	0
Total	398	225	49	41	82	0	0	1

Type of Retirement

A - Normal retirement
B - Early retirement
C - Survivor of active
D - Survivor of retired
E - Disability
F - Occupational disability (Water Patrol)
G - Ex-spouse

Benefit Recipients by Type of Retirement and Option Selected

As of June 30, 2005

MSEP

Option Selected 1	2	3	4	5	6	7	8	9	10
0	31	95	55	143	2	627	736	53	1,699
8	40	103	37	115	5	990	1,129	18	2,462
8	32	65	33	110	7	767	1,025	5	1,883
9	26	54	12	125	3	487	832	0	1,351
15	16	31	13	135	1	422	521	0	1,011
16	10	23	6	166	1	303	421	0	827
6	10	15	10	185	0	294	243	0	693
13	7	23	6	195	1	256	177	1	592
59	10	39	20	587	2	1,121	720	0	1,688
134	182	448	192	1,761	22	5,267	5,804	77	12,206

Judicial Plan

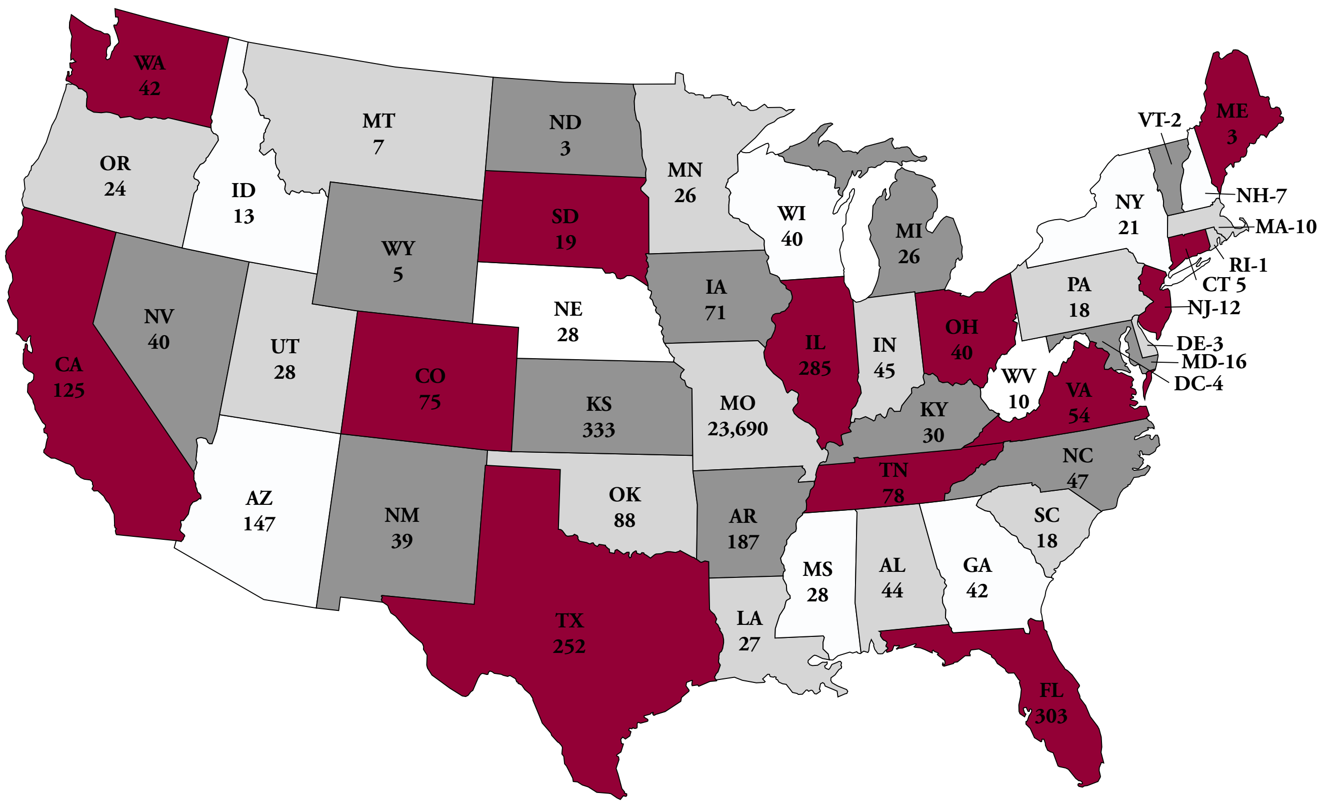
Option Selected 1	2	3	4	5	6	7	8	9	10
0	0	0	0	0	0	0	0	0	0
6	0	0	0	1	0	0	0	0	1
0	0	0	0	5	0	0	0	0	5
3	0	0	0	2	0	0	0	0	7
2	0	0	0	0	0	0	0	0	3
4	0	0	0	1	0	0	0	0	3
7	0	0	0	2	0	0	0	0	4
3	0	0	0	6	0	0	0	0	4
286	0	0	0	34	0	0	0	0	9
311	0	0	0	51	0	0	0	0	36

Option Selected

1 - Automatic 50% joint and survivor
2 - 60 month guaranteed
3 - 120 month guaranteed
4 - 180 month guaranteed
5 - 50% joint and survivor
6 - 75% joint and survivor
7 - 100% joint and survivor
8 - Unreduced 50% joint and survivor
9 - Automatic minor survivor
10 - No survivor option (includes pop-ups)

Distribution of Benefit Recipients by Location

June 30, 2005



Recipients Outside Continental United States

Alaska - 7
APO - 2
Argentina - 1
Australia - 1
Canada - 3
Columbia, South America - 1
Germany - 1
Guam - 1
Hawaii - 4
Ireland - 1
Israel - 1
Mexico - 1
Panama - 1
Puerto Rico - 1
South Korea - 1
Sweden - 1
The Netherlands - 1
United Kingdom - 1

Benefits Payable June 30, 2005
Tabulated by Option and Type of Benefit

MSEP *

Type of Benefit	Number	Annual Funded Benefits	Average Annual Benefits
Service retirement			
Life annuity	4,628	$ 45,404,686	$ 9,811
50% joint and survivor	5,070	69,349,275	13,678
75% joint and survivor	7	64,937	9,277
100% joint and survivor	2,276	36,819,059	16,177
5 year certain and life	122	1,048,352	8,593
10 year certain and life	104	778,908	7,490
Survivor beneficiary	1,676	14,090,527	8,407
Total	13,883	167,555,744	12,069
Disability retirement	21	69,943	3,331
Death-in-service	1,236	9,598,762	7,766
Grand totals	15,140	$ 177,224,449	11,706

* Count includes 10 Lincoln University members and 29 members of the ALJLAP.

MSEP 2000

Type of Benefit	Number	Annual Funded Benefits	Average Annual Benefits
Service retirement			
Life annuity	7,131	$ 105,412,956	$ 14,782
50% joint and survivor	1,543	33,762,798	21,881
100% joint and survivor	1,305	24,574,908	18,831
5 year certain and life	56	742,344	13,256
10 year certain and life	280	3,235,476	11,555
15 Year certain and life	173	1,650,341	9,540
Survivor beneficiary	149	1,482,154	9,947
Total	10,637	170,860,977	16,063
Disability retirement	0	0	0
Death-in-service	3	5,924	1,975
Grand totals	10,640	$ 170,866,901	16,059

Judicial Plan

Type of Benefit	Number	Annual Funded Benefits	Average Annual Benefits
Service retirement			
Life annuity	6	$ 343,440	$ 57,240
50% joint and survivor	268	15,538,268	57,979
Survivor beneficiary	82	2,006,711	24,472
Total	356	17,888,419	50,248
Death-in-service	41	943,684	23,017
Grand totals	397	$ 18,832,103	47,436

Average Monthly Benefit Amounts
Ten Years Ended June 30, 2005

MSEP

Member Retiring During Fiscal Year:		Years Credited Service By Category <5	5-10	10-15	15-20	20-25	25-30	30+	All Members
1996	Average monthly benefit	$ 116	$ 215	$ 318	$ 512	$ 802	$1,246	$1,569	$ 866
	Average final average salary	$1,687	$1,735	$1,796	$1,859	$2,216	$2,551	$2,733	$2,218
	Number of retirees	5	101	129	141	150	190	182	898
1997	Average monthly benefit	$ 121	$ 277	$ 303	$ 566	$ 843	$1,250	$1,705	$ 916
	Average final average salary	$1,943	$2,001	$1,622	$1,985	$2,218	$2,585	$2,944	$2,291
	Number of retirees	5	99	149	147	147	186	201	934
1998	Average monthly benefit	$ 137	$ 244	$ 382	$ 552	$ 857	$1,283	$1,674	$ 921
	Average final average salary	$1,919	$1,912	$2,028	$1,973	$2,310	$2,668	$2,917	$2,368
	Number of retirees	9	122	174	161	169	192	245	1,072
1999	Average monthly benefit	$ 126	$ 232	$ 372	$ 604	$ 860	$1,251	$1,881	$ 995
	Average final average salary	$1,870	$1,993	$2,074	$2,236	$2,356	$2,640	$3,284	$2,527
	Number of retirees	4	105	180	183	178	232	262	1,144
2000	Average monthly benefit	$ 175	$ 240	$ 366	$ 647	$ 840	$1,356	$1,903	$1,040
	Average final average salary	$2,700	$1,979	$2,026	$2,327	$2,313	$2,891	$3,304	$2,599
	Number of retirees	7	118	185	173	187	252	290	1,212
2001	Average monthly benefit	$ 222	$ 253	$ 430	$ 675	$ 973	$1,383	$1,745	$1,076
	Average final average salary	$2,258	$2,068	$2,117	$2,424	$2,527	$2,903	$3,063	$2,628
	Number of retirees	13	375	340	213	265	480	752	2,438
2002	Average monthly benefit	$ 97	$ 258	$ 427	$ 649	$ 998	$1,444	$1,868	$ 965
	Average final average salary	$1,373	$2,232	$2,184	$2,410	$2,613	$3,040	$3,291	$2,644
	Number of retirees	6	247	301	257	267	376	259	1,713
2003	Average monthly benefit	$ 107	$ 287	$ 496	$ 761	$1,061	$1,452	$1,818	$1,044
	Average final average salary	$1,499	$2,201	$2,384	$2,603	$2,736	$3,057	$3,285	$2,754
	Number of retirees	7	224	267	252	309	457	260	1,776
2004	Average monthly benefit	$ 134	$ 280	$ 424	$ 684	$1,035	$1,441	$1,654	$ 996
	Average final average salary	$1,945	$2,377	$2,269	$2,543	$2,696	$3,036	$3,040	$2,711
	Number of retirees	7	319	325	331	415	613	357	2,367
2005	Average monthly benefit	$ 281	$ 284	$ 460	$ 671	$1,181	$1,572	$1,966	$ 931
	Average final average salary	$3,990	$2,354	$2,234	$2,540	$3,055	$3,365	$3,510	$2,788
	Number of retirees	4	336	287	301	284	353	131	1,696
Ten Years Ended June 30, 2005									
	Average monthly benefit	$ 156	$ 263	$ 413	$ 647	$ 977	$1,398	$1,769	$ 989
	Average final average salary	$2,081	$2,160	$2,125	$2,353	$2,573	$2,942	$3,123	$2,602
	Number of retirees	67	2,046	2,337	2,159	2,371	3,331	2,939	15,250

Note: COLA increases and temporary benefits payable under MSEP 2000 until age 62 are excluded from the above for comparison purposes.

Average Monthly Benefit Amounts

Ten Years Ended June 30, 2005

General Employees in the MSEP

Member Retiring During Fiscal Year:		Years Credited Service By Category: <5	5-10	10-15	15-20	20-25	25-30	30+	All Members
1996	Average monthly benefit	$ 116	$ 185	$ 299	$ 500	$ 802	$1,234	$1,561	$ 858
	Average final average salary	$1,687	$1,703	$1,776	$1,854	$2,216	$2,549	$2,736	$2,214
	Number of retirees	5	96	126	140	150	188	180	885
1997	Average monthly benefit	$ 121	$ 238	$ 278	$ 523	$ 800	$1,241	$1,693	$ 896
	Average final average salary	$1,943	$1,977	$1,602	$1,934	$2,192	$2,583	$2,945	$2,277
	Number of retirees	5	92	146	144	143	184	199	913
1998	Average monthly benefit	$ 137	$ 212	$ 355	$ 534	$ 833	$1,280	$1,670	$ 911
	Average final average salary	$1,919	$1,876	$2,011	$1,965	$2,269	$2,666	$2,920	$2,358
	Number of retirees	9	116	170	159	167	191	244	1,056
1999	Average monthly benefit	$ 126	$ 223	$ 346	$ 591	$ 860	$1,237	$1,873	$ 985
	Average final average salary	$1,870	$1,983	$2,037	$2,232	$2,356	$2,640	$3,285	$2,521
	Number of retirees	4	103	178	181	178	230	260	1,134
2000	Average monthly benefit	$ 175	$ 222	$ 360	$ 634	$ 840	$1,356	$1,898	$1,037
	Average final average salary	$2,700	$1,957	$2,023	$2,313	$2,313	$2,891	$3,302	$2,596
	Number of retirees	7	114	184	171	187	252	289	1,204
2001	Average monthly benefit	$ 101	$ 238	$ 395	$ 634	$ 965	$1,377	$1,743	$1,065
	Average final average salary	$1,612	$2,046	$2,056	$2,384	$2,514	$2,904	$3,061	$2,610
	Number of retirees	12	370	335	208	264	477	751	2,417
2002	Average monthly benefit	$ 97	$ 256	$ 417	$ 638	$ 988	$1,440	$1,862	$ 958
	Average final average salary	$1,373	$2,230	$2,180	$2,408	$2,595	$3,041	$3,293	$2,641
	Number of retirees	6	246	298	255	266	375	257	1,703
2003	Average monthly benefit	$ 107	$ 246	$ 464	$ 671	$1,038	$1,448	$1,815	$1,026
	Average final average salary	$1,499	$2,178	$2,376	$2,544	$2,738	$3,058	$3,288	$2,750
	Number of retirees	7	212	258	237	304	456	259	1,733
2004	Average monthly benefit	$ 134	$ 270	$ 424	$ 672	$1,035	$1,441	$1,654	$ 995
	Average final average salary	$1,945	$2,372	$2,269	$2,542	$2,696	$3,035	$3,040	$2,711
	Number of retirees	7	313	325	328	415	612	357	2,357
2005	Average monthly benefit	$ 229	$ 262	$ 409	$ 662	$1,129	$1,572	$1,921	$ 908
	Average final average salary	$4,449	$2,344	$2,161	$2,537	$3,004	$3,365	$3,538	$2,770
	Number of retirees	3	324	280	298	276	353	127	1,661
Ten Years Ended June 30, 2005									
	Average monthly benefit	$ 128	$ 244	$ 389	$ 621	$ 961	$1,394	$1,763	$ 979
	Average final average salary	$1,951	$2,145	$2,099	$2,335	$2,558	$2,943	$3,124	$2,594
	Number of retirees	65	1,986	2,300	2,121	2,350	3,318	2,923	15,063

Note: COLA increases and temporary benefits payable under MSEP 2000 until age 62 are excluded from the above for comparison purposes.

Average Monthly Benefit Amounts
Ten Years Ended June 30, 2005

Uniformed Members of the Water Patrol in the MSEP

		Years Credited Service By Category							
Member Retiring During Fiscal Year:		**<5**	**5-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30+**	**All Members**
1996	Average monthly benefit	$0	$0	$ 0	$ 0	$0	$1,638	$1,733	$1,686
	Average final average salary	$0	$0	$ 0	$ 0	$0	$2,843	$2,620	$2,732
	Number of retirees	0	0	0	0	0	1	1	2
1997	Average monthly benefit	$0	$0	$ 0	$ 0	$0	$1,976	$2,168	$2,072
	Average final average salary	$0	$0	$ 0	$ 0	$0	$3,327	$3,088	$3,208
	Number of retirees	0	0	0	0	0	1	1	2
1998	Average monthly benefit	$0	$0	$ 0	$ 0	$0	$1,782	$ 0	$1,782
	Average final average salary	$0	$0	$ 0	$ 0	$0	$3,001	$ 0	$3,001
	Number of retirees	0	0	0	0	0	1	0	1
1999	Average monthly benefit	$0	$0	$ 0	$ 0	$0	$ 0	$2,567	$2,567
	Average final average salary	$0	$0	$ 0	$ 0	$0	$ 0	$3,767	$3,767
	Number of retirees	0	0	0	0	0	0	1	1
2000	Average monthly benefit	$0	$0	$ 0	$1,749	$0	$ 0	$3,297	$2,523
	Average final average salary	$0	$0	$ 0	$4,432	$0	$ 0	$4,014	$4,223
	Number of retirees	0	0	0	1	0	0	1	2
2001	Average monthly benefit	$0	$0	$1,664	$ 0	$0	$1,923	$3,236	$2,274
	Average final average salary	$0	$0	$5,833	$ 0	$0	$3,172	$4,274	$4,426
	Number of retirees	0	0	1	0	0	1	1	3
2002	Average monthly benefit	$0	$0	$ 0	$ 0	$0	$ 0	$1,843	$1,843
	Average final average salary	$0	$0	$ 0	$ 0	$0	$ 0	$3,432	$3,432
	Number of retirees	0	0	0	0	0	0	1	1
2003	Average monthly benefit	$0	$0	$ 0	$ 0	$0	$ 0	$ 0	$ 0
	Average final average salary	$0	$0	$ 0	$ 0	$0	$ 0	$ 0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
2004	Average monthly benefit	$0	$0	$ 0	$ 0	$0	$1,743	$ 0	$1,743
	Average final average salary	$0	$0	$ 0	$ 0	$0	$3,628	$ 0	$3,628
	Number of retirees	0	0	0	0	0	1	0	1
2005	Average monthly benefit	$0	$0	$ 0	$1,267	$0	$ 0	$ 0	$1,267
	Average final average salary	$0	$0	$ 0	$3,254	$0	$ 0	$ 0	$3,254
	Number of retirees	0	0	0	1	0	0	0	1
Ten Years Ended June 30, 2005									
	Average monthly benefit	$0	$0	$1,664	$1,508	$0	$1,812	$2,474	$2,042
	Average final average salary	$0	$0	$5,833	$3,843	$0	$3,194	$3,533	$3,620
	Number of retirees	0	0	1	2	0	5	6	14

Note: COLA increases and temporary benefits payable under MSEP 2000 until age 62 are excluded from the above for comparison purposes.

Average Monthly Benefit Amounts
Ten Years Ended June 30, 2005

Legislators in the MSEP

Member Retiring During Fiscal Year:		<5	5-10	10-15	15-20	20-25	25-30	30+	All Members
		Years Credited Service By Category							
1996	Average monthly benefit	$ 0	$ 784	$1,135	$2,170	$ 0	$3,038	$2,850	$1,398
	Average final average salary	$ 0	$2,340	$2,631	$2,613	$ 0	$2,613	$2,315	$2,467
	Number of retirees	0	5	3	1	0	1	1	11
1997	Average monthly benefit	$ 0	$ 789	$1,519	$1,949	$2,336	$2,250	$3,689	$1,584
	Average final average salary	$ 0	$2,320	$2,613	$2,613	$2,486	$2,234	$2,613	$2,448
	Number of retirees	0	7	3	2	3	1	1	17
1998	Average monthly benefit	$ 0	$ 868	$1,054	$1,953	$ 0	$ 0	$2,700	$1,248
	Average final average salary	$ 0	$2,613	$1,739	$2,613	$ 0	$ 0	$2,298	$2,368
	Number of retirees	0	6	3	2	0	0	1	12
1999	Average monthly benefit	$ 0	$ 700	$1,302	$1,736	$ 0	$2,821	$3,150	$1,871
	Average final average salary	$ 0	$2,518	$2,613	$2,613	$ 0	$2,613	$2,423	$2,566
	Number of retirees	0	2	1	2	0	2	1	8
2000	Average monthly benefit	$ 0	$ 759	$1,519	$1,736	$ 0	$ 0	$ 0	$1,049
	Average final average salary	$ 0	$2,613	$2,613	$2,613	$ 0	$ 0	$ 0	$2,613
	Number of retirees	0	4	1	1	0	0	0	6
2001	Average monthly benefit	$ 0	$ 925	$1,302	$1,750	$ 0	$2,649	$ 0	$1,550
	Average final average salary	$ 0	$2,613	$2,613	$2,608	$ 0	$2,604	$ 0	$2,610
	Number of retirees	0	4	2	4	0	2	0	12
2002	Average monthly benefit	$ 0	$ 871	$1,451	$2,068	$ 0	$2,830	$3,365	$1,944
	Average final average salary	$ 0	$2,613	$2,550	$2,613	$ 0	$2,613	$2,613	$2,589
	Number of retirees	0	1	3	2	0	1	1	8
2003	Average monthly benefit	$ 0	$1,016	$1,403	$1,816	$2,482	$3,048	$2,700	$1,619
	Average final average salary	$ 0	$2,613	$2,613	$2,613	$2,613	$2,613	$2,613	$2,613
	Number of retirees	0	12	9	12	5	1	1	40
2004	Average monthly benefit	$ 0	$ 797	$ 0	$1,959	$ 0	$ 0	$ 0	$1,184
	Average final average salary	$ 0	$2,613	$ 0	$2,613	$ 0	$ 0	$ 0	$2,613
	Number of retirees	0	6	0	3	0	0	0	9
2005	Average monthly benefit	$ 435	$ 889	$1,361	$1,742	$2,409	$ 0	$3,411	$1,604
	Average final average salary	$2,613	$2,613	$2,613	$2,613	$2,613	$ 0	$2,613	$2,613
	Number of retirees	1	12	4	2	4	0	4	27
Ten Years Ended June 30, 2005									
	Average monthly benefit	$ 435	$ 869	$1,344	$1,854	$2,421	$2,763	$3,210	$1,543
	Average final average salary	$2,613	$2,552	$2,518	$2,612	$2,581	$2,563	$2,533	$2,560
	Number of retirees	1	59	29	31	12	8	10	150

Note: COLA increases are excluded from the above for comparison purposes.

Average Monthly Benefit Amounts

Ten Years Ended June 30, 2005

Elected Officials in the MSEP

Member Retiring During Fiscal Year:		<5	5-10	10-15	15-20	20-25	25-30	30+	All Members
		Years Credited Service By Category							
1996	Average monthly benefit	$0	$ 0	$ 0	$ 0	$0	$0	$0	$ 0
	Average final average salary	$0	$ 0	$ 0	$ 0	$0	$0	$0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
1997	Average monthly benefit	$0	$ 0	$ 0	$4,019	$0	$0	$0	$4,019
	Average final average salary	$0	$ 0	$ 0	$8,038	$0	$0	$0	$8,038
	Number of retirees	0	0	0	1	0	0	0	1
1998	Average monthly benefit	$0	$ 0	$ 0	$ 0	$0	$0	$0	$ 0
	Average final average salary	$0	$ 0	$ 0	$ 0	$0	$0	$0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
1999	Average monthly benefit	$0	$ 0	$4,019	$ 0	$0	$0	$0	$4,019
	Average final average salary	$0	$ 0	$8,038	$ 0	$0	$0	$0	$8,038
	Number of retirees	0	0	1	0	0	0	0	1
2000	Average monthly benefit	$0	$ 0	$ 0	$ 0	$0	$0	$0	$ 0
	Average final average salary	$0	$ 0	$ 0	$ 0	$0	$0	$0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
2001	Average monthly benefit	$ 1,668	$3,154	$4,882	$5,004	$0	$0	$0	$3,918
	Average final average salary	$10,007	$8,038	$10,007	$10,007	$0	$0	$0	$9,613
	Number of retirees	1	1	2	1	0	0	0	5
2002	Average monthly benefit	$0	$ 0	$ 0	$ 0	$0	$0	$0	$ 0
	Average final average salary	$0	$ 0	$ 0	$ 0	$0	$0	$0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
2003	Average monthly benefit	$0	$ 0	$ 0	$ 0	$0	$0	$0	$ 0
	Average final average salary	$0	$ 0	$ 0	$ 0	$0	$0	$0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
2004	Average monthly benefit	$0	$ 0	$ 0	$ 0	$0	$0	$0	$ 0
	Average final average salary	$0	$ 0	$ 0	$ 0	$0	$0	$0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
2005	Average monthly benefit	$0	$ 0	$4,218	$ 0	$0	$0	$0	$4,218
	Average final average salary	$0	$ 0	$9,023	$ 0	$0	$0	$0	$9,023
	Number of retirees	0	0	2	0	0	0	0	2
Ten Years Ended June 30, 2005									
	Average monthly benefit	$ 1,668	$3,154	$4,444	$4,512	$0	$0	$0	$4,007
	Average final average salary	$10,007	$8,038	$9,220	$9,023	$0	$0	$0	$9,132
	Number of retirees	1	1	5	2	0	0	0	9

Note: COLA increases are excluded from the above for comparison purposes.

Average Monthly Benefit Amounts

Ten Years Ended June 30, 2005

Administrative Law Judges and Legal Advisors in the MSEP

Member Retiring During Fiscal Year:		Years Credited Service By Category <5	5-10	10-15	15-20	20-25	25-30	30+	All Members
1996	Average monthly benefit	$0	$0	$ 0	$ 0	$ 0	$0	$0	$ 0
	Average final average salary	$0	$0	$ 0	$ 0	0	$0	$0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
1997	Average monthly benefit	$0	$0	$ 0	$ 0	$2,578	$0	$0	$2,578
	Average final average salary	$0	$0	$ 0	$ 0	$5,156	$0	$0	$5,156
	Number of retirees	0	0	0	0	1	0	0	1
1998	Average monthly benefit	$0	$0	$2,927	$ 0	$2,875	$0	$0	$2,892
	Average final average salary	$0	$0	$5,854	$ 0	$5,749	$0	$0	$5,784
	Number of retirees	0	0	1	0	2	0	0	3
1999	Average monthly benefit	$0	$0	$ 0	$ 0	$ 0	$0	$0	$ 0
	Average final average salary	$0	$0	$ 0	$ 0	$ 0	$0	$0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
2000	Average monthly benefit	$0	$0	$ 0	$ 0	$ 0	$0	$0	$ 0
	Average final average salary	$0	$0	$ 0	$ 0	$ 0	$0	$0	$ 0
	Number of retirees	0	0	0	0	0	0	0	0
2001	Average monthly benefit	$0	$0	$ 0	$ 0	$2,982	$0	$0	$2,982
	Average final average salary	$0	$0	$ 0	$ 0	$5,965	$0	$0	$5,965
	Number of retirees	0	0	0	0	1	0	0	1
2002	Average monthly benefit	$0	$0	$ 0	$ 0	$3,739	$0	$0	$3,739
	Average final average salary	$0	$0	$ 0	$ 0	$7,478	$0	$0	$7,478
	Number of retirees	0	0	0	0	1	0	0	1
2003	Average monthly benefit	$0	$0	$ 0	$3,615	$ 0	$0	$0	$3,615
	Average final average salary	$0	$0	$ 0	$7,231	$ 0	$0	$0	$7,231
	Number of retirees	0	0	0	3	0	0	0	3
2004	Average monthly benefit	$0	$0	$ 0	$ 0	$ 0	$0	$0	$0
	Average final average salary	$0	$0	$ 0	$ 0	$ 0	$0	$0	$0
	Number of retirees	0	0	0	0	0	0	0	0
2005	Average monthly benefit	$0	$0	$3,750	$ 0	$3,522	$0	$0	$3,568
	Average final average salary	$0	$0	$7,500	$ 0	$7,043	$0	$0	$7,134
	Number of retirees	0	0	1	0	4	0	0	5
Ten Years Ended June 30, 2005									
	Average monthly benefit	$0	$0	$3,338	$3,615	$3,237	$0	$0	$3,332
	Average final average salary	$0	$0	$6,677	$7,231	$6,474	$0	$0	$6,665
	Number of retirees	0	0	2	3	9	0	0	14

Note: COLA increases are excluded from the above for comparison purposes.

Average Monthly Benefit Amounts
Ten Years Ended June 30, 2005

Judicial Plan

Member Retiring During Fiscal Year:		<5	5-10	10-15	15-20	20-25	25-30	30+	All Members
		Years Credited Service By Category							
1996	Average monthly benefit	$ 0	$ 0	$3,006	$3,496	$3,881	$ 0	$ 0	$3,360
	Average final average salary	$ 0	$ 0	$6,176	$6,992	$7,762	$ 0	$ 0	$6,782
	Number of retirees	0	0	3	4	1	0	0	8
1997	Average monthly benefit	$1,120	$ 0	$ 0	$3,490	$ 0	$ 0	$ 0	$2,898
	Average final average salary	$6,719	$ 0	$ 0	$6,979	$ 0	$ 0	$ 0	$6,914
	Number of retirees	1	0	0	3	0	0	0	4
1998	Average monthly benefit	$243	$1,567	$3,689	$3,484	$3,624	$3,999	$3,921	$3,420
	Average final average salary	$5,824	$5,129	$7,378	$6,969	$7,247	$7,999	$7,843	$7,208
	Number of retirees	1	1	2	4	7	4	1	20
1999	Average monthly benefit	$564	$2,429	$3,649	$3,759	$3,635	$4,450	$4,123	$3,300
	Average final average salary	$6,598	$7,108	$7,432	$7,517	$7,270	$8,900	$8,246	$7,439
	Number of retirees	2	3	6	8	1	1	1	22
2000	Average monthly benefit	$ 0	$1,282	$3,368	$4,116	$3,991	$4,139	$4,375	$3,763
	Average final average salary	$ 0	$5,129	$6,735	$8,232	$7,982	$8,278	$8,750	$7,677
	Number of retirees	0	1	4	4	4	3	1	17
2001	Average monthly benefit	$ 0	$2,044	$4,216	$3,849	$4,500	$4,573	$4,250	$4,213
	Average final average salary	$ 0	$8,000	$8,519	$7,698	$9,000	$9,146	$8,500	$8,632
	Number of retirees	0	1	5	3	6	4	2	21
2002	Average monthly benefit	$ 0	$1,337	$3,606	$4,093	$4,000	$4,576	$ 0	$3,877
	Average final average salary	$ 0	$6,095	$7,405	$8,186	$8,000	$9,153	$ 0	$8,101
	Number of retirees	0	1	2	4	1	3	0	11
2003	Average monthly benefit	$ 756	$1,946	$4,042	$3,849	$4,000	$4,250	$4,167	$3,435
	Average final average salary	$8,000	$6,317	$8,333	$7,697	$8,000	$8,500	$8,333	$7,824
	Number of retirees	2	3	3	6	3	2	3	22
2004	Average monthly benefit	$ 855	$3,028	$4,500	$4,061	$4,597	$ 0	$4,500	$3,952
	Average final average salary	$5,129	$8,000	$9,000	$8,121	$9,194	$ 0	$9,000	$8,350
	Number of retirees	1	1	2	4	3	0	1	12
2005	Average monthly benefit	$ 0	$ 0	$3,935	$4,500	$4,142	$4,300	$4,396	$4,216
	Average final average salary	$ 0	$ 0	$8,423	$9,000	$8,284	$8,600	$8,792	$8,550
	Number of retirees	0	0	3	1	3	5	2	14
Ten Years Ended June 30, 2005									
	Average monthly benefit	$ 694	$2,035	$3,766	$3,822	$4,071	$4,313	$4,247	$3,686
	Average final average salary	$6,695	$6,603	$7,683	$7,643	$8,142	$8,626	$8,493	$7,832
	Number of retirees	7	11	30	41	29	22	11	151

Note: COLA increases are excluded from the above for comparison purposes.

Retirees and Beneficiaries
Tabulated by Fiscal Year of Retirement

MSEP

Fiscal Year of Retirement	Number	Total Annual Benefits	Average Monthly Benefit
1966 & prior	4	$ 27,509	$ 573
1967	1	5,432	453
1968	3	9,341	259
1969	3	18,262	507
1970	7	53,855	641
1971	4	18,935	394
1972	14	100,728	600
1973	34	225,736	553
1974	44	273,938	519
1975	62	395,417	531
1976	79	523,445	552
1977	110	700,507	531
1978	109	656,092	502
1979	102	752,925	615
1980	127	902,149	592
1981	167	1,335,023	666
1982	250	2,005,781	669
1983	266	2,329,781	730
1984	283	2,127,154	626
1985	305	2,839,586	776
1986	385	2,946,882	638
1987	430	4,036,495	782
1988	505	5,545,020	915
1989	561	6,777,969	1,007
1990	577	6,853,547	990
1991	663	8,968,845	1,127
1992	750	9,695,381	1,077
1993	839	10,648,443	1,058
1994	823	10,242,415	1,037
1995	1,076	14,018,458	1,086
1996	1,053	13,952,170	1,104
1997	1,086	14,916,563	1,145
1998	1,247	16,979,761	1,135
1999	1,356	19,056,914	1,171
2000	1,427	21,492,480	1,255
2001	2,697	43,745,389	1,352
2002	1,992	27,856,040	1,165
2003	2,043	30,939,777	1,262
2004	2,629	40,111,449	1,271
2005	1,980	25,809,885	1,086
Total	26,093	$349,895,479	1,117

Judicial Plan

Fiscal Year of Retirement	Number	Total Annual Benefits	Average Monthly Benefit
1976 & prior	5	$ 44,028	$ 734
1977	1	11,546	962
1978	1	12,701	1,058
1979	2	50,737	2,114
1980	2	28,095	1,171
1981	4	129,266	2,693
1982	2	77,046	3,210
1983	8	260,585	2,714
1984	3	70,260	1,952
1985	5	227,610	3,793
1986	7	207,833	2,474
1987	23	951,430	3,447
1988	12	525,993	3,653
1989	17	809,658	3,969
1990	9	393,013	3,639
1991	24	1,194,355	4,147
1992	14	690,952	4,113
1993	16	694,005	3,615
1994	12	526,998	3,660
1995	26	1,477,523	4,736
1996	13	617,319	3,957
1997	7	313,913	3,737
1998	27	1,469,648	4,536
1999	29	1,401,803	4,028
2000	28	1,402,050	4,173
2001	22	1,423,175	5,391
2002	16	776,903	4,046
2003	27	1,242,298	3,834
2004	19	915,046	4,013
2005	17	845,074	4,143
	398	$18,790,863	3,934

Total Benefits Payable

Tabulated by Attained Ages of Benefit Recipients
As of June 30, 2005

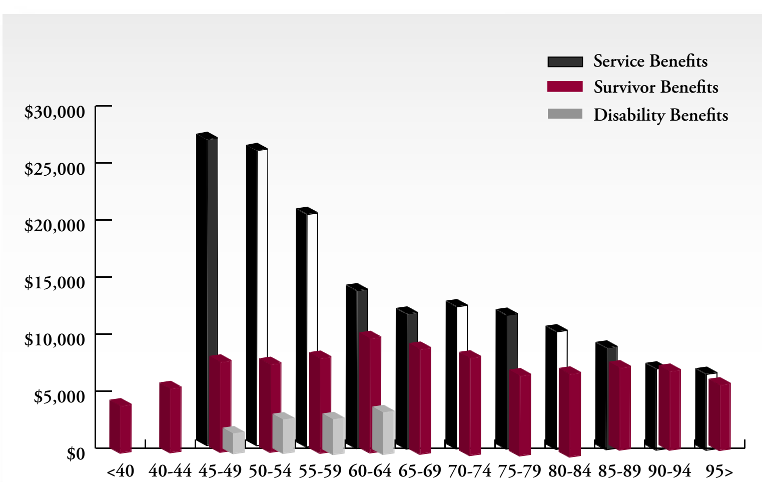
MSEP

Attained Ages	Service Retirement No.	Service Retirement Annual Benefits	Disability Retirement No.	Disability Retirement Annual Benefits	Survivors and Beneficiaries No.	Survivors and Beneficiaries Annual Benefits	Totals No.	Totals Annual Benefits
Under 20					75	$227,246	75	$227,246
20-24					25	105,380	25	105,380
25-29					10	90,612	10	90,612
30-34					12	59,001	12	59,001
35-39					31	177,311	31	177,311
40-44					55	322,150	55	322,150
45-49	6	167,628	1	1,812	95	781,763	102	951,203
50-54	826	22,255,959	4	12,228	197	1,579,633	1,027	23,847,820
55-59	3,191	67,711,998	8	25,476	264	2,289,164	3,463	70,026,638
60-64	4,310	62,037,037	8	30,427	312	3,256,755	4,630	65,324,219
65-69	4,492	55,306,003			386	3,698,914	4,878	59,004,917
70-74	3,716	48,173,820			488	4,344,460	4,204	52,518,280
75-79	2,840	34,665,216			504	3,686,278	3,344	38,351,494
80-84	1,872	20,072,286			356	2,694,043	2,228	22,766,329
85-89	976	9,051,359			185	1,388,504	1,161	10,439,863
90-94	369	2,731,151			52	374,556	421	3,105,707
95	35	267,072			6	62,532	41	329,604
96	28	165,399			2	5,496	30	170,895
97	16	113,052			4	20,561	20	133,613
98	4	21,204			3	10,620	7	31,824
99	3	22,200					3	22,200
100	5	35,916					5	35,916
101	5	40,848			1	756	6	41,604
103	1	5,892					1	5,892
105					1	1,632	1	1,632
Totals	22,695	$322,844,040	21	$69,943	3,064	$25,177,367	25,780	$348,091,350

Includes 29 administrative law judges

Average Age At Retirement 60.6 years
Average Age Now 69.0 years

Average Benefits



Total Benefits Payable

Tabulated by Attained Ages of Benefit Recipients

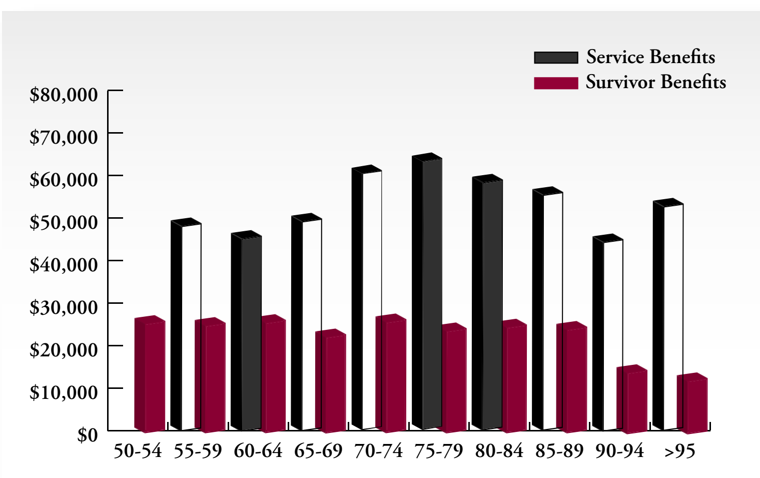
As of June 30, 2005

Judicial Plan

	Service Retirement		Disability Retirement		Survivors and Beneficiaries		Totals	
Attained Ages	**No.**	**Annual Benefits**	**No.**	**Annual Benefits**	**No.**	**Annual Benefits**	**No.**	**Annual Benefits**
50-54					3	$ 79,656	3	$ 79,656
55-59	8	$ 399,852			7	182,601	15	582,453
60-64	28	1,314,741			12	321,487	40	1,636,228
65-69	47	2,401,354			6	140,004	53	2,541,358
70-74	59	3,699,473			10	269,448	69	3,968,921
75-79	56	3,673,961			18	446,268	74	4,120,229
80-84	51	3,082,980			26	667,979	77	3,750,959
85-89	13	747,093			24	603,600	37	1,350,693
90-94	11	507,570			11	162,432	22	670,002
95 and over	1	54,684			6	76,920	7	131,604
Totals	274	$ 15,881,708	0	$0	123	$ 2,950,395	397	$18,832,103

Average Age At Retirement	65.5 years
Average Age Now	75.9 years

Average Benefits



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